

NEW ISSUE — BOOK-ENTRY ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2001-B Bonds is excluded from gross income for federal income tax purposes under Title XIII of the Tax Reform Act of 1986, as amended (the "1986 Act"), and Section 103 of the Internal Revenue Code of 1954, as amended. In the further opinion of Special Tax Counsel, interest on the Series 2001-B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Tax Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2001-B Bonds. See "TAX MATTERS" herein.

\$97,275,000

Energy Northwest

\$23,600,000 Project No. 1 Refunding Electric Revenue Bonds, Series 2001-B

\$48,000,000 Columbia Generating Station Refunding Electric Revenue Bonds, Series 2001-B

\$25,675,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2001-B

Dated: Date of delivery

Due: July 1, as shown on the inside cover

The Series 2001-B Bonds are being issued for the purpose of refunding Prior Lien Bonds heretofore issued by Energy Northwest in connection with Project 1, the Columbia Generating Station and Project 3, as more fully described herein. The Series 2001-B Bonds are special revenue obligations of Energy Northwest secured and payable as provided herein on a subordinated basis to the Prior Lien Bonds.

The Series 2001-B Bonds are being issued as Auction Rate Certificates — ARCs® ("ARCs"). The Project 3 2001-B Bonds consist of three (3) Subseries. The Project 1 2001-B Bonds and the Columbia 2001-B Bonds do not contain Subseries. The Series 2001-B Bonds are issuable only as fully registered bonds and when issued shall be registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York ("DTC"), which is to act as securities depository for the Series 2001-B Bonds. Purchasers of beneficial ownership interests will not receive certificates representing their beneficial ownership interests in the Series 2001-B Bonds. Purchases and sales by the beneficial owners of the Series 2001-B Bonds shall initially be in the principal amount of \$25,000 or any integral multiple thereof, in book-entry form only.

Payments of principal, redemption price and interest with respect to the Series 2001-B Bonds are to be made directly to DTC by the Trustee, so long as DTC or Cede & Co. is the registered owner of the Series 2001-B Bonds. Disbursement of such payments to DTC Participants (as defined herein) is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC Participants as more fully described herein. During the Initial Interest Period for each Series or Subseries, interest on the Series 2001-B Bonds of such Series or Subseries is payable at the rates shown on the inside cover hereof commencing on July 1, 2001 and semi-annually thereafter on each January 1 and July 1 to and including the last July 1 of such Initial Interest Period. After each Initial Interest Period, interest on the related Series or Subseries is payable on the Business Day after each Interest Period. Following the Initial Interest Period for each Series or Subseries, the applicable ARCs Rate will be established for such Series or Subseries for its Initial Auction Period in accordance with the Auction Procedures described herein and in APPENDIX C, *provided, however*, that as of each Initial Auction Date each Existing Holder of the applicable Series or Subseries will be automatically deemed by the Auction Agent to have submitted a Sell Order for all of the ARCs of such Series or Subseries then owned by such Existing Holder. Existing Holders who wish to retain all or a portion of their ARCs of such Series or Subseries during such Initial Auction Period must submit a Hold Order or Bid. Following the Initial Auction Period for each of the Series and Subseries, the respective Interest Periods will generally be 35 successive days commencing on a Thursday and ending on (and including) a Wednesday and the applicable ARCs Rate and subsequent Auction Periods with respect to such Series or Subseries shall be established pursuant to the Auction Procedures described herein and in Appendix C. See APPENDIX C, "AUCTION RATE CERTIFICATES SPECIAL PROVISIONS." The Series 2001-B Bonds are subject to optional redemption prior to maturity as set forth herein.

Payment of the principal of and interest on each Series or Subseries of Project 1 2001-B Bonds, Columbia 2001-B Bonds and Project 3 2001-B Bonds on the regularly scheduled due dates for payment thereof will be insured in accordance with financial guaranty insurance policies to be issued simultaneously with the delivery of the Columbia 2001-B Bonds, Project 1 2001-B Bonds and Project 3 2001-B Bonds by MBIA Insurance Corporation.



The Series 2001-B Bonds are secured on a subordinated basis to the Prior Lien Bonds from amounts derived pursuant to Net Billing Agreements with the United States of America, Department of Energy, acting by and through the Administrator of the

Bonneville Power Administration

from net billing credits and from cash payments from the Bonneville Fund, as described herein. Bonneville's obligations under the Net Billing Agreements are not general obligations of the United States of America and are not secured by the full faith and credit of the United States of America. The Series 2001-B Bonds do not constitute an obligation of the State of Washington or of any political subdivision thereof, other than Energy Northwest. Energy Northwest has no taxing power.

MATURITY AND PRICING SCHEDULE — See Inside Cover

The Series 2001-B Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Wilkie Farr & Gallagher, New York, New York, Bond Counsel to Energy Northwest, and to certain other conditions. Certain tax matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel. Certain legal matters will be passed upon for Energy Northwest by its General Counsel and for Bonneville by its Acting General Counsel and by its Special Counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by O'Melveny & Myers LLP, New York, New York, Counsel to the Underwriters. It is expected that the Series 2001-B Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about May 9, 2001.

UBS PaineWebber Inc.

Bear, Stearns & Co. Inc.

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Salomon Smith Barney Inc.

April 19, 2001

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MATURITY AND PRICING SCHEDULE

Energy Northwest

**\$23,600,000 Project No. 1 Refunding Electric Revenue Bonds, Series 2001-B
Auction Rate Certificates, Due July 1, 2017**

Initial Interest Period

| <u>Initial Period Ending (July 1,)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield/Price</u> |
|--|-----------------------------|--------------------------|--------------------|
| 2008 | \$23,600,000 | 5.50% | 4.75% |

Auction Rate Periods

| <u>Initial Auction Date</u> | <u>Initial Auction Period (Dates)</u> | <u>Successive Auction Dates Generally</u> | <u>Successive Interest Payment Dates Generally</u> |
|---------------------------------|---|---|--|
| 6-25-08 | 7-01-08 to 8-6-08 | Every 5th Wednesday | Every 5th Thursday |

**\$48,000,000 Columbia Generating Station Refunding Electric Revenue Bonds, Series 2001-B
Auction Rate Certificates, Due July 1, 2018**

Initial Interest Periods

| <u>Initial Period Ending (July 1,)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield/Price</u> |
|--|-----------------------------|--------------------------|--------------------|
| 2009 | \$48,000,000 | 5.50% | 4.89% |

Auction Rate Periods

| <u>Initial Auction Date</u> | <u>Initial Auction Period (Dates)</u> | <u>Successive Auction Dates Generally</u> | <u>Successive Interest Payment Dates Generally</u> |
|---------------------------------|---|---|--|
| 6-30-09 | 7-01-09 to 8-5-09 | Every 5th Wednesday | Every 5th Thursday |

**\$25,675,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2001-B
Auction Rate Certificates, Due July 1, 2018**

Initial Interest Period

| <u>Subseries</u> | <u>Principal Amount</u> | <u>Initial Period Ending (July 1,)</u> | <u>Interest Rate</u> | <u>Yield/Price</u> |
|------------------|-----------------------------|--|--------------------------|--------------------|
| 2001-B-3-1 | \$ 5,000,000 | 2003 | 5.00% | 4.05% |
| 2001-B-3-2 | 10,000,000 | 2004 | 5.00 | 4.20 |
| 2001-B-3-3 | 10,675,000 | 2010 | 5.50 | 4.95 |

Auction Rate Periods

| <u>Subseries</u> | <u>Principal Amount</u> | <u>Initial Auction Date</u> | <u>Initial Auction Period (Dates)</u> | <u>Successive Auction Dates Generally</u> | <u>Successive Interest Payment Dates Generally</u> |
|------------------|-----------------------------|---------------------------------|---|---|--|
| 2001-B-3-1 | \$ 5,000,000 | 6-25-03 | 7-01-03 to 8-6-03 | Every 5th Wednesday | Every 5th Thursday |
| 2001-B-3-2 | 10,000,000 | 6-30-04 | 7-01-04 to 8-4-04 | Every 5th Wednesday | Every 5th Thursday |
| 2001-B-3-3 | 10,675,000 | 6-30-10 | 7-01-10 to 8-4-10 | Every 5th Wednesday | Every 5th Thursday |

Auction Agent for ARCs
Broker-Dealer for ARCs
Market Agent for ARCs

The Bank of New York
UBS PaineWebber Inc.
UBS PaineWebber Inc.

SEE APPENDIX C — AUCTION RATE CERTIFICATES SPECIAL PROVISIONS

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No dealer, broker, salesman or other person has been authorized by Energy Northwest or by the Underwriters to give any information or to make any representations, other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by Energy Northwest or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2001-B Bonds, by any person in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

The information set forth herein has been furnished by Energy Northwest and Bonneville and includes information obtained from other sources which are believed to be reliable, the information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Energy Northwest or Bonneville since the date hereof.

Except as specifically described herein, none of the information herein was provided by the Participants, the Pacific Northwest Electric Power and Conservation Planning Council, or the Trustee and none of such entities participated in the preparation of this Official Statement. This Official Statement has not been submitted to such entities for review, comment or approval.

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

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

The prospective financial information included in this offering document, including any forward-looking or prospective financial information, has been prepared by, and is the responsibility of the management of Energy Northwest and Bonneville. PricewaterhouseCoopers has neither examined nor compiled such prospective financial information and, accordingly, PricewaterhouseCoopers does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers reports included in this offering document relate to the historical financial information of Energy Northwest projects and Bonneville. They do not extend to the prospective financial information and should not be read to do so.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2001-B BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$97,275,000

Energy Northwest

\$23,600,000 Project No. 1 Refunding Electric Revenue Bonds, Series 2001-B

\$48,000,000 Columbia Generating Station Refunding Electric Revenue Bonds, Series 2001-B

\$25,675,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2001-B

Energy Northwest, a municipal corporation and a joint operating agency of the State of Washington (formerly known as the Washington Public Power Supply System), proposes to issue \$23,600,000 Project No. 1 Refunding Electric Revenue Bonds, Series 2001-B (the "Project 1 2001-B Bonds"), \$48,000,000 Columbia Generating Station Refunding Electric Revenue Bonds, Series 2001-B (the "Columbia 2001-B Bonds"), and \$25,675,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2001-B in three Subseries (the "Project 3 2001-B Bonds" and together with the Project 1 2001 Bonds and the Columbia 2001 Bonds, the "Series 2001-B Bonds" or the "2001-B Bonds"). The Series 2001-B Bonds are being issued pursuant to Chapter 43.52 of the Revised Code of Washington, as amended (the "Act") and the resolutions of Energy Northwest hereinafter referred to for the purpose of refunding the Prior Lien Bonds (as hereinafter defined) and Electric Revenue Bonds (as hereinafter defined) heretofore issued by Energy Northwest. The Series 2001-B Bonds are secured on a subordinated basis to the Prior Lien Bonds from amounts derived pursuant to Net Billing Agreements with the United States of America, Department of Energy, acting by and through the Administrator of the Bonneville Power Administration from net billing credits and from cash payments from the Bonneville Fund, as described herein. The receipts, income and revenues derived from a Project secure only the related Series of 2001-B Bonds. Accordingly, the owners of the Series 2001-B Bonds issued for a particular Project will have no claim on the receipts, income and revenues securing any other Energy Northwest Project. The 2001-B Bonds of each Series will be secured on a parity with bonds heretofore issued by Energy Northwest pursuant to the related Electric Revenue Bond Resolution (hereinafter defined), and additional bonds or notes that may be issued by Energy Northwest in the future under, or other obligations of Energy Northwest that may be secured pursuant to, the related Electric Revenue Bond Resolution or any related Separate Subordinated Resolution. See "SECURITY FOR THE NET BILLED BONDS" in the 2001-A Official Statement.

Capitalized terms used in this Official Statement and not defined herein shall have the meanings given to such terms in the Official Statement of Energy Northwest dated March 9, 2001 prepared in connection with the issuance by Energy Northwest of its Project No. 1 Refunding Electric Revenue Bonds, Series 2001-A, its Columbia Generating Station Refunding Electric Revenue Bonds, Series 2001-A and its Project No. 3 Refunding Electric Revenue Bonds, Series 2001-A (the "2001-A Official Statement"), portions of which are incorporated herein by reference, as described below. *This Official Statement is not complete unless read in conjunction with the information from the 2001-A Official Statement incorporated herein by reference.* See "INCLUSION BY SPECIFIC REFERENCE."

Energy Northwest has previously issued Net Billed Bonds for Projects 1 and 3 and the Columbia Generating Station (hereinafter sometimes referred to as "Columbia"). The receipts, income and revenues derived from each Project under the related Net Billed Resolutions secure only the related Net Billed Bonds. For further information, see "SECURITY FOR THE NET BILLED BONDS" in the 2001-A Official Statement

Energy Northwest furnishes this Official Statement, which includes the cover page and inside cover page hereof and the appendices hereto, in connection with the sale of the Series 2001-B Bonds.

INTRODUCTION

This Introduction is not intended to provide all information material to a prospective purchaser of the Series 2001-B Bonds and is qualified in all respects by the more detailed information set forth elsewhere in this Official Statement and in those portions of the 2001-A Official Statement incorporated herein by reference. See "INCLUSION BY SPECIFIC REFERENCE."

Energy Northwest

Energy Northwest was organized in 1957 as the Washington Public Power Supply System. By resolution of its Executive Board adopted on June 2, 1999, the Washington Public Power Supply System officially changed its name to Energy Northwest. It currently has 13 members, consisting of 10 public utility districts and the cities of Richland, Seattle and Tacoma, all located in the State of Washington. Energy Northwest has the authority, among other things, to acquire, construct and operate plants, works and facilities for the generation and transmission of electric power and energy and to issue bonds and other evidences of indebtedness to finance the same.

Energy Northwest owns and operates a nuclear electric generating station, the Columbia Generating Station (sometimes hereinafter referred to as "Columbia Generating Station" or "Columbia"), formerly known as Nuclear Project No. 2, with a net design

electrical rating of 1,153 megawatts. Energy Northwest also owns an operating hydroelectric facility, the Packwood Lake Hydroelectric Project ("Packwood"), with a name-plate rating of 27.5 megawatts. Energy Northwest also owns and/or has financial responsibility for four other nuclear electric generating projects which have been terminated: Energy Northwest Nuclear Project No. 1 ("Project 1"), Energy Northwest Nuclear Project No. 3 ("Project 3") and Energy Northwest Nuclear Projects Nos. 4 and 5 ("Projects 4 and 5"). Energy Northwest also owns the Hanford Generating Project ("HGP"), which ceased operation in 1987, and site restoration activities coordinated with the United States Department of Energy ("DOE") are continuing. For discussions concerning the termination of Projects Nos. 1, 3, 4 and 5, see "ENERGY NORTHWEST — Project 1," "— Project 3," "— Projects 4 and 5" and "— Site Restoration of Projects 1, 3, 4 and 5" in the 2001-A Official Statement. Projects 1, 3 and Columbia are collectively referred to herein as the "Net Billed Projects." Each of the foregoing projects (collectively, the "Projects" and individually, a "Project") is financed and accounted for as a separate utility system, except for Projects 4 and 5, which were financed and accounted for as a single utility system separate and apart from all other Energy Northwest Projects. All of Energy Northwest's Projects are located in the State of Washington.

The United States of America, Department of Energy, acting by and through the Administrator of the Bonneville Power Administration ("Bonneville"), has acquired the capability of Projects 1, 3 and Columbia. As more fully discussed under "SECURITY FOR THE NET BILLED BONDS — Net Billing Agreements" in the 2001-A Official Statement, Bonneville pays Energy Northwest for such capability pursuant to Net Billing Agreements, with payments being made through a combination of credits against customer bills and cash payments from the Bonneville Fund (as hereinafter defined). Bonneville's obligations to make such payments under the Net Billing Agreements continue notwithstanding suspension or termination of any of Projects 1, 3 or Columbia.

The Columbia Generating Station

Columbia is an operating nuclear electric generating station located about 160 miles southeast of Seattle, Washington, near Richland, Washington on the DOE Hanford Reservation. Columbia commenced commercial operation in 1984 and has a net design electrical rating of 1,153 megawatts. Columbia consists of a General Electric Company-designed boiling water reactor and nuclear steam supply system, a turbine-generator and the necessary transformer, switching and transmission facilities to deliver the output to the transmission facilities of the Federal System located in the vicinity of Columbia. The entire Project capability of Columbia has been acquired by Bonneville under the Columbia Net Billing Agreements. Since commencing commercial operation, Columbia has operated at a cumulative capacity factor of 63.7% and has generated 98,863,390 megawatt-hours (net of station use) of electric power through January 2001. For further information relating to Columbia, see "ENERGY NORTHWEST — The Columbia Generating Station" in the 2001-A Official Statement.

Energy Northwest has obtained all permits and licenses required to operate Columbia, including a site certification agreement with the State of Washington and an operating license for Columbia issued by the United States Nuclear Regulatory Commission (the "NRC"). The operating license expires in 2023. For a discussion of recent NRC activities, see "ENERGY NORTHWEST — The Columbia Generating Station — Nuclear Regulatory Commission Actions or Reports" in the 2001-A Official Statement.

Project 1

Project 1 is a terminated, partially constructed, nuclear electric generating project located about 160 miles southeast of Seattle, Washington, near Richland, Washington on DOE's Hanford Reservation. In May 1994, Energy Northwest's Board of Directors adopted a resolution terminating Project 1. For further information relating to Project 1, see "ENERGY NORTHWEST — Project 1" and "— Site Restoration of Projects 1, 3, 4 and 5" in the 2001-A Official Statement. See "SECURITY FOR THE NET BILLED BONDS — Net Billing Agreements" in the 2001-A Official Statement for further discussion of the above-mentioned termination and related issues.

Project 3

Project 3 is a terminated, partially constructed, nuclear electric generating project located in Grays Harbor County, Washington, about 70 miles southwest of Seattle, Washington. In May 1994, Energy Northwest's Board of Directors adopted a resolution requesting the termination of Project 3. Project 3 was terminated in June 1994. For further information relating to Project 3, see "ENERGY NORTHWEST — Project 3" and "— Site Restoration of Projects 1, 3, 4 and 5" in the 2001-A Official Statement. See "SECURITY FOR THE NET BILLED BONDS — Net Billing Agreements" in the 2001-A Official Statement for further discussion of the above-mentioned termination and related issues.

Projects 4 and 5

Projects 4 and 5 were terminated in January 1982. The bonds issued by Energy Northwest in connection with Projects 4 and 5 (the "Project 4/5 Bonds") went into default on July 22, 1983 and approximately \$2.25 billion principal amount of Project 4/5 Bonds, together with accrued interest thereon, remain unpaid except for two distributions to bondholders in 1993 and 1995. All trusts created under the resolution authorizing the Project 4/5 Bonds were terminated and Energy Northwest and the trustee under said resolution were released from all of their obligations thereunder. Bonneville is not a party to any agreements that secured payment of the costs of Projects 4 and 5.

The Bonneville Power Administration

The information under this heading has been derived from information provided to Energy Northwest by Bonneville. For detailed information with respect to Bonneville, see "THE BONNEVILLE POWER ADMINISTRATION" in the 2001-A Official Statement.

Bonneville was created by Federal law in 1937 to market electric power from the Bonneville Dam and to construct facilities necessary to transmit such power. Today, Bonneville markets electric power from 29 federally-owned hydroelectric projects, most of which are located in the Columbia River Basin and all of which were constructed and are operated by the United States Army Corps of Engineers (the "Corps") or the United States Bureau of Reclamation (the "Bureau"), and from several non-federally-owned projects, including the Columbia Generating Station. Bonneville sells and/or exchanges power under contracts with over 100 utilities in the Pacific Northwest and Pacific Southwest and with several industrial customers. It also owns and operates a high voltage transmission system comprising approximately 75% of the bulk transmission capacity in the Pacific Northwest.

Bonneville's primary customer service area is the Pacific Northwest region, an area comprised of Oregon, Washington, Idaho, western Montana and small portions of California, Nevada, Utah and Wyoming (sometimes referred to herein as the "Pacific Northwest," the "Northwest," the "Region," or "Regional"). Bonneville estimates that this 300,000 square mile service area has a population of approximately ten million people. Electric power sold by Bonneville accounts for about 45% of the electric power consumed within the Region. Bonneville also exports power that is surplus to the needs of the Region to the Pacific Southwest, primarily to California.

Bonneville is one of four regional Federal power marketing agencies within the DOE. Bonneville is required by law to meet certain energy requirements in the Region and is authorized to acquire power resources, to implement conservation measures and to take other actions to enable it to carry out its purposes. Bonneville is also required by law to operate and maintain its transmission system and to provide transmission service to eligible customers and to undertake certain other programs, such as fish and wildlife protection, mitigation and enhancement.

Certain information about Bonneville is contained in the 2001-A Official Statement and is incorporated herein by reference. In addition, Bonneville recently released the Federal System Unaudited Quarterly Report for the six months ended March 31, 2001 which is attached hereto as Appendix E. Bonneville's unaudited second quarter financial report for fiscal year 2001 (covering October 1, 2000 through March 31, 2001) shows approximately a \$235 million net loss in the first half of the fiscal year. Of such loss, about \$119 million is from operating losses primarily resulting from higher than expected power purchase expenses due to low water conditions and high market prices, offset partially by higher revenues from discretionary power sales. Such higher revenues from discretionary power sales resulted from higher market prices for such sales, despite a lower volume of such sales. The remainder of the net loss, or \$116 million, is attributable to the accounting treatment of certain transactions under Financial Accounting Standards Board Statement of Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") which became effective on October 1, 2000. Such losses reflect mark-to-market positions Bonneville has with regard to certain power sales transactions and do not affect Bonneville's cash flows or financial reserves. In Bonneville's opinion, accounting losses under FAS 133 do not have a material impact on Bonneville's financial position. See "THE BONNEVILLE POWER ADMINISTRATION – Recent Developments in the Electric Utility Industry and Bonneville's Competitive Position – Bonneville's Fiscal Year 2001 Financial Condition" in the 2001-A Official Statement."

Series 2001-B Bonds

Security for the Series 2001-B Bonds

The Project 1 2001-B Bonds are special revenue obligations of Energy Northwest issued under and pursuant to the Project 1 Electric Revenue Bond Resolution and are secured on a subordinated basis to the Project 1 Prior Lien Bonds by a pledge of all receipts, income and revenues derived by Energy Northwest from the ownership of Project 1. The Project 1 2001-B Bonds are secured on parity with \$234,970,000 outstanding principal amount of Project 1 Electric Revenue Bonds, heretofore issued pursuant to the Project 1 Electric Revenue Bond Resolution and will be secured on a parity with any additional bonds or notes that may be issued by Energy Northwest in the future or other obligations of Energy Northwest that may be secured pursuant to the Project 1 Electric Revenue Bond Resolution or any Project 1 Separate Subordinated Resolution.

The Columbia 2001-B Bonds are special revenue obligations of Energy Northwest issued under and pursuant to the Columbia Electric Revenue Bond Resolution and are secured on a subordinated basis to the Columbia Prior Lien Bonds by a pledge of all receipts, income and revenues derived by Energy Northwest from the ownership and operation of Columbia. The Columbia 2001-B Bonds are secured on parity with \$307,465,000 outstanding principal amount of Columbia Electric Revenue Bonds, heretofore issued pursuant to the Columbia Electric Revenue Bond Resolution and will be secured on a parity with any additional bonds or notes that may be issued by Energy Northwest in the future or other obligations of Energy Northwest that may be secured pursuant to the Columbia Electric Revenue Bond Resolution or any Columbia Separate Subordinated Resolution.

The Project 3 2001-B Bonds are special revenue obligations of Energy Northwest issued under and pursuant to the Project 3 Electric Revenue Bond Resolution and are secured on a subordinated basis to the Project 3 Prior Lien Bonds by a pledge of all receipts, income and revenues derived by Energy Northwest from the ownership of Project 3. The Project 3 2001-B Bonds are secured on parity with \$392,975,000 outstanding principal amount of Project 3 Electric Revenue Bonds, heretofore issued pursuant to the Project 3 Electric Revenue Bond Resolution and will be secured on a parity with any additional bonds or notes that may be issued by Energy Northwest in the future or other obligations of Energy Northwest that may be secured pursuant to the Project 3 Electric Revenue Bond Resolution or any Project 3 Separate Subordinated Resolution.

Purpose of Issuance

The Project 1 2001-B Bonds are being issued pursuant to Resolution No. 835, adopted on November 23, 1993 (as amended and supplemented, the "Project 1 Electric Revenue Bond Resolution"), and a supplemental resolution adopted on April 19, 2001 (the "Project 1 Electric Revenue Bond Supplemental Resolution"). Energy Northwest is issuing the Project 1 2001-B Bonds for the purpose of refunding (i) \$19,862,500 aggregate principal amount of the \$1,828,015,000 of Project 1 Prior Lien Bonds (as hereinafter defined) currently outstanding under Resolution No. 769, adopted September 18, 1975 (as amended and supplemented the "Project 1 Prior Lien Resolution") and (ii) \$4,805,000 aggregate principal amount of \$234,970,000 Project 1 Electric Revenue Bonds (as hereinafter defined) currently outstanding under the Project 1 Electric Revenue Bond Resolution. Bonds issued pursuant to the Project 1 Prior Lien Resolution are referred to herein as the "Project 1 Prior Lien Bonds," Bonds issued pursuant to the Project 1 Electric Revenue Bond Resolution are referred to herein as the "Project 1 Electric Revenue Bonds." See "Plan of Refunding."

The Columbia 2001-B Bonds are being issued pursuant to Resolution No. 1042, adopted on October 23, 1997 (as amended and supplemented, the "Columbia Electric Revenue Bond Resolution") and a supplemental resolution adopted on April 19, 2001 (the "Columbia Electric Revenue Bond Supplemental Resolution"). Energy Northwest is issuing the Columbia 2001-B Bonds for the purpose of refunding (i) \$42,870,000 aggregate principal amount of the \$1,921,003,000 of Columbia Prior Lien Bonds (as hereinafter defined) currently outstanding under Resolution No. 640, adopted on June 26, 1973 (as amended and supplemented the "Columbia Prior Lien Resolution") and (ii) \$7,100,000 aggregate principal amount of \$307,465,000 Columbia Generating Station Electric Revenue Bonds (hereinafter defined) currently outstanding under the Columbia Electric Revenue Bond Resolution. Bonds issued pursuant to the Columbia Prior Lien Resolution are referred to herein as the "Columbia Prior Lien Bonds" and Bonds issued pursuant to the Columbia Electric Revenue Bond Resolution are referred to herein as the "Columbia Electric Revenue Bonds." See "Plan of Refunding."

The Project 3 2001-B Bonds are being issued pursuant to Resolution No. 838, adopted on November 23, 1993 (as amended and supplemented the "Project 3 Electric Revenue Bond Resolution"), and a supplemental resolution adopted on April 19, 2001 (the "Project 3 Electric Revenue Bond Supplemental Resolution" and together with the Project 1 Electric Revenue Bond Supplemental Resolution and the Columbia Electric Revenue Bond Supplemental Resolution, the "Supplemental Resolutions"). Energy Northwest is issuing the Project 3 2001-B Bonds for the purpose of refunding (i) \$20,658,810 aggregate principal amount of the \$1,387,427,000 of Project 3 Prior Lien Bonds (as amended and supplemented the "Project 3 Prior Lien Bonds") currently outstanding under Resolution No. 775, adopted on December 3, 1975 (as amended and supplemented the "Project 3 Prior Lien Resolution") and (ii) \$5,775,000 aggregate principal amount of \$392,975,000 of the Project 3 Electric Revenue Bonds (as hereinafter defined) currently outstanding under Project 3 Electric Revenue Bond Resolution. Bonds issued pursuant to the Project 3 Prior Lien Resolution are referred to herein as the "Project 3 Prior Lien Bonds." Bonds issued pursuant to the Project 3 Electric Revenue Bond Resolution are referred to herein as the "Project 3 Electric Revenue Bonds." See "Plan of Refunding."

The Project 1 Prior Lien Resolution, the Columbia Prior Lien Resolution and the Project 3 Prior Lien Resolution are collectively referred to herein as the "Prior Lien Resolutions." The Project 1 Electric Revenue Bond Resolution, the Columbia Electric Revenue Bond Resolution and the Project 3 Electric Revenue Bond Resolution are collectively referred to herein as the "Electric Revenue Bond Resolutions". The Prior Lien Resolutions, the Electric Revenue Bond Resolutions and the Separate Subordinated Resolutions are collectively referred to herein as the "Net Billed Resolutions." The Project 1 Prior Lien Bonds, the Columbia Prior Lien Bonds and the Project 3 Prior Lien Bonds are collectively referred to herein as the "Prior Lien Bonds." The Project 1 Electric Revenue Bonds, the Columbia Electric Revenue Bonds and the Project 3 Electric Revenue Bonds are collectively referred to herein as the "Electric Revenue Bonds." The Prior Lien Bonds, the Electric Revenue Bonds, including the Series 2001-B Bonds and any bonds or notes which may be issued pursuant to the Separate Subordinated Resolutions are collectively referred to herein as the "Net Billed Bonds." Under the Supplemental Resolutions, Energy Northwest has covenanted with the owners from time to time of the Electric Revenue Bonds not to issue any more Prior Lien Bonds or any other obligations having a lien on a parity with the Prior Lien Bonds. For a discussion of additional Net Billed Bonds which may be issued by Energy Northwest for refunding and other purposes, see "SECURITY FOR THE NET BILLED BONDS — Additional Bonds" in the 2001-A Official Statement.

Net Billing Agreements

Under the Net Billing Agreements, the Participants in each Net Billed Project have contracted to purchase the capability of that Net Billed Project and have agreed to provide Energy Northwest with funds necessary to meet costs of that Net Billed Project. These costs include the amounts that Energy Northwest is obligated to pay in each contract year into the various funds provided for in the related Net Billed Resolutions for debt service and for all other purposes of the Net Billed Project. The Net Billing Agreements also effected a simultaneous assignment of the project capability from the Participants to Bonneville and created an obligation of

Bonneville to pay the Participants (from net billing credits provided by Bonneville and from cash payments from the Bonneville Fund, as described herein) for their respective shares of the costs of the Net Billed Projects. Thus, Bonneville is ultimately obligated to meet such costs.

Under the Net Billing Agreements, payments to Energy Northwest are not made directly by Bonneville, but rather by the Participants. Such payments by the Participants are to be made in accordance with each Participant's participation in the purchase of the capability of the Net Billed Project. Bonneville pays for the capability of the Net Billed Project assigned by the Participants to it by crediting (or net billing) Bonneville's bills to Participants for power and other services purchased from Bonneville by the amount of the payment required to be made by the Participants to Energy Northwest. To the extent that the total amount of Bonneville's bills to each Participant (and consequently the amount of such credit available) over a contract year (July 1 to June 30) is less than the payment required to be made by the Participant to Energy Northwest, Bonneville is obligated to pay the deficiency in cash to the Participant from the Bonneville Fund. In the opinion of Bonneville's Acting General Counsel, under Federal statutes Bonneville may only make payments to the United States Treasury from net proceeds; all cash payment obligations of Bonneville, including cash deficiency payments relating to Net Billed Bonds and other operating and maintenance expenses have priority over payments by Bonneville to the United States Treasury. Net proceeds are gross cash receipts remaining in the Bonneville Fund after deducting all of the costs paid by Bonneville to operate and maintain the Federal System other than those used to make payments to the United States Treasury for: (i) the repayment of the Federal investment in certain transmission facilities and the power generating facilities at federally-owned hydroelectric projects in the Pacific Northwest; (ii) debt service on bonds issued by Bonneville and sold to the United States Treasury; (iii) repayments of appropriated amounts to the Corps and the Bureau for certain costs allocated to power generation at federally-owned hydroelectric projects in the Pacific Northwest; and (iv) costs allocated to irrigation projects as are required by law to be recovered from power sales.

Cash payments and the provision of credits by Bonneville and payments by Participants under the Net Billing Agreements are required whether or not the related Net Billed Project is completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of Net Billed Project output or termination of the related Net Billed Project and such payments or credits are not subject to any reduction, whether by offset or otherwise, and are not conditioned upon the performance or nonperformance by Energy Northwest, Bonneville or any Participant under the Net Billing Agreements or any other agreement or instrument.

Bonneville's obligations under the Net Billing Agreements are not general obligations of the United States of America and are not secured by the full faith and credit of the United States of America.

For further information as to the Net Billing Agreements, see "SECURITY FOR THE NET BILLED BONDS — Net Billing Agreements" in the 2001-A Official Statement.

INCLUSION BY SPECIFIC REFERENCE

Portions of Energy Northwest's March 9, 2001 Official Statement relating to Energy Northwest's Project 1, Project 3 and Columbia Generating Station Refunding Electric Revenue Bonds, Series 2001-A (the "2001-A Official Statement") subject to the information contained elsewhere herein, are included in this Official Statement by specific reference, namely the information under the captions:

| | |
|-------------------------------------|---|
| Security for Net Billed Bonds | |
| Energy Northwest | |
| The Bonneville Power Administration | |
| Appendix A-1 | Federal System Audited Statements for the years ended September 30, 2000 and 1999 |
| Appendix B | Audited Financial Statements of Energy Northwest Projects for the year ended June 30, 2000 |
| Appendix E | Energy Northwest Participant Utility Share Fiscal Year 2001 Budget |
| Appendix F | Summary of Certain Provisions of Related Contracts |
| Appendix G-1 | Summary of Certain Provisions of Electric Revenue Bond Resolutions and Supplemental Electric Revenue Bond Resolutions |
| Appendix G-2 | Summary of Certain Provisions of Prior Lien Resolutions Nos. 769, 640 and 775 |
| Appendix H | Book-Entry Only System |
| Appendix I | Summary of the Continuing Disclosure Agreement |

Any reference to the Series 2001-A Bonds in the information incorporated herein by reference shall be read to be a reference to the Series 2001-B Bonds unless the context thereof clearly indicates that such information is only applicable to the Series 2001-A Bonds.

DESCRIPTION OF THE SERIES 2001-B BONDS

General

The Project 1 Electric Revenue Bond Resolution authorizes the issuance of Project 1 2001-B Bonds for the purpose of refunding Project 1 Prior Lien Bonds and Project 1 Electric Revenue Bonds previously issued. The Columbia Electric Revenue Bond Resolution authorizes the issuance of Columbia 2001-B Bonds for the purpose of refunding Columbia Prior Lien Bonds and Columbia Electric Revenue Bonds previously issued. The Project 3 Electric Revenue Bond Resolution authorizes the issuance of Project 3 2001-B Bonds for the purpose of refunding Project 3 Prior Lien Bonds and Project 3 Electric Revenue Bonds previously issued.

The Series 2001-B Bonds are being issued as ARCs®†. The ARCs will be dated their date of delivery, will bear interest from such date or from the most recent Interest Payment Date to which interest has been paid. The ARCs will be issued in Series and in Subseries and will mature all as shown on the inside cover of this Official Statement. During the Initial Interest Period for each Series or Subseries, interest is payable on July 1, 2001 and semi-annually thereafter on January 1 and July 1 in the years and at the rates shown on the inside cover of this Official Statement. After each Initial Interest Period, each Series and Subseries will bear interest at the applicable Auction Rate, which will be established therefor pursuant to the procedures described in "APPENDIX C-AUCTION RATE CERTIFICATES SPECIAL PROVISIONS." The Auction Date for each Series or Subseries, except the Initial Auction Date, will generally occur every thirty-five (35) days. Certain of the defined terms used herein are defined in Appendix C. Notwithstanding the establishment of the applicable Auction Rate, the Maximum Interest Rate permitted under the Supplemental Resolution with respect to the ARCs is 12%.

The Series 2001-B Bonds are issued as fully registered Bonds in the denomination of \$25,000 or any integral multiple thereof ("Authorized Denomination"). The Series 2001-B Bonds, when issued, shall be registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York ("DTC"), which shall act as securities depository for the Series 2001-B Bonds. The principal of the Series 2001-B Bonds is payable, without exchange or collection charges, upon presentation and surrender as it becomes due and payable, at the designated corporate trust office of the Trustee. The interest on the Series 2001-B Bonds shall be payable by check mailed to the registered owner thereof at the address shown, as of the Record Date, on the registration books kept by the Trustee, or at such other address as is furnished to the Trustee in writing by the registered owner. Interest on the Auction Rate Certificates shall be payable at the election of any registered owner of at least \$1,000,000 principal amount of the Series 2001-B Bonds by wire transfer to a designated account if written or telephonic notice of any such election and designated account is given to the Trustee at least five days prior to the Interest Payment Date as to which such election shall be effective. See "DESCRIPTION OF THE SERIES 2001-A BONDS - Book-Entry Only System" and Appendix H in the 2001-A Official Statement.

Interest

Interest Payments. Interest on the Series 2001-B Bonds shall accrue for each Interest Period and shall be payable in arrears, on each succeeding Interest Payment Date. An "Interest Payment Date" for the Series 2001-B Bonds means, during an Initial Interest Period, July 1, 2001 and thereafter each January 1 and July 1 in such Initial Interest Period, and thereafter the Business Day after each Auction Period (including an Initial Auction Period); and shall also mean the respective maturity dates of the Series 2001-B Bonds. An "Interest Period" means, (i) unless otherwise changed as described under "Changes in Auction Periods or Auction Dates" below, the period commencing on the date of the original issuance of the Series 2001-B Bonds through and including the last day of the Initial Interest Period, the Initial Auction Period and thereafter each successive period of generally thirty-five (35) days, commencing on a Thursday (or the day following the last Interest Period, if the prior Interest Period does not end on a Wednesday) and ending on (and including) a Wednesday (unless such Wednesday is not followed by a Business Day, in which case the next succeeding day (need not be consecutive) that is followed by a Business Day) and (ii) if the Auction Periods are changed as described herein, each period commencing on an Interest Payment Date and ending on, but excluding, the next succeeding Interest Payment Date. Interest Payment Dates may change in the event of a change in the length of one or more Auction Periods. See "Changes in Auction Periods or Auction Date" below.

Interest on the Series 2001-B Bonds during each Initial Interest Period shall be computed by the Trustee on the basis of a 360-day year with twelve 30-day months. Interest during any Auction Period (including the Initial Auction Period) shall be computed by the Trustee on the basis of a 365-day year for the number of days actually elapsed; except that for any such calculation with respect to an Interest Payment Date occurring after January 1 of any leap year through December 31 of such leap year, such interest (for any day occurring during such period) shall be computed on the basis of a 366-day year period. The Trustee shall make the calculation described above not later than the close of business on each Auction Date.

† ARCs® is a registered trademark of UBS PaineWebber Inc.

Applicable Rate. The rate of interest on each Subseries of 2001-B Bonds during each Initial Interest Period shall be the rates shown on the inside cover of this Official Statement. The rate of interest on each Series or Subseries for each Interest Period following the respective Initial Interest Period (including each Initial Auction Period), shall be equal to the per annum rate of interest that results from implementation of the Auction Procedures described in Appendix C (the "Auction Rate") unless the Auction Rate exceeds the Maximum ARC Rate, in which case, the rate of interest shall be the Maximum ARC Rate; provided that if, on any Auction Date, an Auction is not held for any reason, then the rate of interest for the next succeeding Interest Period shall equal the Maximum ARC Rate on such Auction Date. Notwithstanding the foregoing, (i) if the ownership of the Series 2001-B Bonds is no longer maintained in book-entry form by DTC, the rate of interest on the Series 2001-B Bonds for any Auction Period commencing after the delivery of certificates representing Series 2001-B Bonds shall equal the Maximum ARC Rate on the Business Day immediately preceding the first day of such Interest Period or (ii) if a Payment Default occurs, Auctions will be suspended and the Applicable Subseries 2001-B Bonds and such Subseries 2001-B Bonds Rate for the Interest Period commencing on or after such Payment Default and for each Interest Period thereafter to and including the Interest Period, if any, during which, or commencing less than the Applicable Number of Business Days (as defined in Appendix C) after, such Payment Default is cured will equal the Default Rate. Notwithstanding anything herein to the contrary, no Auction Rate shall exceed the Maximum Rate.

Notwithstanding anything herein to the contrary, if the Project 1 2001-B Bonds, the Columbia 2001-B Bonds or any Subseries of the Project 3 2001-B Bonds, or portion thereof, have been selected for redemption during the next succeeding Interest Period, such Bond or portion thereof, will not be included in the Auction preceding such Redemption Date, and will bear interest until the Redemption Date at the rate established for the Interest Period prior to said Auction.

Auction Participants

Existing Holders and Potential Holders. Participants in each Auction will include (i) "Existing Holders," which shall mean (a) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a person who is a Broker-Dealer listed in the Existing Holder registry at the close of business on the Business Day immediately preceding the Auction Date for such Auction and (b) with respect to and for the purpose of dealing with the Broker-Dealer in connection with an Auction, a person who is a beneficial owner of ARCs; and (ii) "Potential Holders," which shall mean any person (including an Existing Holder that is (a) a Broker-Dealer when dealing with the Auction Agent and (b) a potential beneficial owner when dealing with a Broker-Dealer) who may be interested in acquiring Series 2001-B Bonds (or, in the case of an Existing Holder thereof, an additional principal amount of Series 2001-B Bonds).

By purchasing Series 2001-B Bonds, whether in an Auction or otherwise, each prospective purchaser or its Broker-Dealer must agree and will be deemed to have agreed: (i) to participate in Auctions on the terms set forth in APPENDIX C hereto, (ii) so long as the beneficial ownership of the Series 2001-B Bonds is maintained in book-entry form by DTC, to sell, transfer or otherwise dispose of Series 2001-B Bonds only pursuant to a Bid or a Sell Order (each as defined in Appendix C) in an Auction, or to or through a Broker-Dealer, provided that in the case of all transfers other than those pursuant to an Auction, the Existing Holder of Series 2001-B Bonds and the Series 2001-B Bonds so transferred, its Participant or its Broker-Dealer advises the Auction Agent of such transfer, and (iii) to have its beneficial ownership of Series 2001-B Bonds maintained at all times in book-entry form by the securities Depository for the account of its Participants, which in turn will maintain records of such beneficial ownership, and to authorize such Participants to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request.

Auction Agent. The Bank of New York is appointed as the initial Auction Agent for the Series 2001-B Bonds. The Trustee is directed by Energy Northwest to enter into the initial Auction Agency Agreement with The Bank of New York. The Auction Agent shall be (i) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, The City of New York, and having a combined capital stock, surplus and undivided profits of at least \$50,000,000 or (ii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$50,000,000 and, in either case, authorized by law to perform all the duties imposed upon it under the Supplemental Resolution and under the Auction Agency Agreement. The Auction Agent may resign and be discharged of the duties and obligations created by the Supplemental Resolution by giving at least 90 days' written notice to Energy Northwest, the Trustee, MBIA and the Market Agent (30 days' written notice if the Auction Agent has not been paid its fee for more than 30 days). The Auction Agent may be removed at any time by the Trustee if the Auction Agent is an entity other than the Trustee, acting at the direction of either (i) Energy Northwest or (ii) the holders of 66-2/3% of the aggregate principal amount of the Series 2001-B Bonds with the prior written consent of MBIA or (iii) by an instrument signed by the Trustee and filed with the Auction Agent, Energy Northwest, MBIA and the Market Agent upon at least 90 days' notice; provided that, if required by the Market Agent, an agreement in substantially the form of the Auction Agency Agreement shall be entered into with a successor Auction Agent. If the Auction Agent and the Trustee are the same entity, the Auction Agent may be removed as described above, with Energy Northwest acting in lieu of the Trustee.

If the Auction Agent shall resign or be removed or dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, Energy Northwest shall use its best efforts to appoint a successor as Auction Agent, and the Trustee shall thereupon enter into an Auction Agency Agreement with such successor.

The Auction Agent is acting as agent for the Trustee in connection with the Auctions. In the absence of willful misconduct or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining the pertinent facts.

Broker-Dealer. Existing Holders and Potential Holders may participate in Auctions only by submitting orders (in the manner described below) through a “Broker-Dealer,” including UBS PaineWebber Inc. as the sole initial Broker-Dealer or any other broker or dealer (each as defined in the Securities Exchange Act of 1934, as amended), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth below which (i) is a “Participant” (i.e., a member of, or participant in, DTC or any successor securities depository) or an affiliate of a Participant, (ii) has a capital surplus of at least \$50,000,000, (iii) has been selected by Energy Northwest with the approval of the Market Agent (which shall not be unreasonably withheld) and (iv) has entered into a Broker-Dealer Agreement with the Auction Agent that remains effective, in which the Broker-Dealer agrees to participate in Auctions as described in the Auction Procedures, as from time to time amended or supplemented.

Market Agent. The “Market Agent,” initially UBS PaineWebber Inc., acting pursuant to the Market Agent Agreement, and in connection with the Series 2001-B Bonds, shall act solely as agent of the Trustee and shall not assume any obligation or relationship of agency or trust for or with any of the beneficial owners. Notwithstanding that the Market Agent is the agent of the Trustee under the Market Agent Agreement, the Trustee shall not be liable in any way for any action taken, suffered, or omitted, or for any error of judgment made by the Market Agent, whether in performance of its duties under the Market Agent Agreement or otherwise.

Auctions

Auctions to establish the Auction Rate for each Series and Subseries of 2001-B Bonds are to be held on the applicable Initial Auction Date and on each Auction Date thereafter, except as described above under “INTEREST-APPLICABLE RATE,” by application of the Auction Procedures described in Appendix C. Notwithstanding the foregoing, the Auction Date for one or more Auction Periods may be changed as described below under “Changes in Auction Periods or Auction Date—*Changes in Auction Period or Periods.*”

The Auction Agent shall determine the Maximum ARC Rate and the All-Hold Rate and the “AA” Financial Commercial Paper Rate on each Auction Date. If the ownership of the Series 2001-B Bonds is no longer maintained in book-entry form by DTC, the Trustee shall calculate the Maximum ARC Rate on the Business Day immediately preceding the first of each Interest Period commencing after delivery of certificates representing the Series 2001-B Bonds. If a Payment Default shall have occurred, the Trustee shall calculate the Default Rate on the first day of (i) each Interest Period commencing after the occurrence and during the continuance of such Payment Default and (ii) any Interest Period commencing less than the Applicable Number of Business Days after the cure of any Payment Default.

So long as the ownership of the Series 2001-B Bonds is maintained in book-entry form by DTC, an Existing Holder may sell, transfer or otherwise dispose of the Series 2001-B Bonds only pursuant to a Bid or Sell Order (as defined in Appendix C) placed in an Auction or through a Broker-Dealer, provided that, in the case of all transfers other than pursuant to Auctions, such Existing Holder, its Broker-Dealer or its Participant advises the Auction Agent of such transfer. Auctions shall be conducted on each Auction Date, if there is an Auction Agent on such Auction Date, in the manner described in Appendix C. A description of the Settlement Procedures to be used with respect to Auctions is contained in Appendix C.

Changes in Auction Periods or Auction Date

Changes in Auction Period or Periods. While any of the Series 2001-B Bonds are outstanding as ARCs, the Market Agent with the written consent of Energy Northwest, may change, from time to time, the length of one or more Auction Periods (an “Auction Period Adjustment”). The Market Agent shall initiate the Auction Period Adjustment by giving written notice to the Trustee, the Auction Agent, Energy Northwest, MBIA and the Depository at least 10 days prior to the Auction Date for such Auction Period. Any such changed Auction Period shall not be less than 7 days.

The Auction Period Adjustment shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given and the Auction immediately preceding the proposed change. Such change shall take effect only if certain requirements are met as described in the Supplemental Resolution.

Changes in Auction Date. While any of the Series 2001-B Bonds are outstanding as ARCs, the Market Agent:

- (i) with the consent of Energy Northwest in order to conform with then current market practice with respect to similar securities, shall; or
- (ii) in order to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Series 2001-B Bonds and with the written consent of Energy

Northwest, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" with respect to one or more specified Auction Periods. The Market Agent shall provide notice of any determination to specify an earlier Auction Date for one or more Auction Periods by means of a written notice delivered at least 10 days prior to the proposed changed Auction Date to the Trustee, the Auction Agent, Energy Northwest, MBIA and the Depository.

In connection with any change in the Auction terms described above, the Auction Agent shall provide such further notice to such parties as is specified in the Auction Agency Agreement.

Redemption

Optional Redemption. Each Series and Subseries of 2001-B Bonds is subject to redemption prior to maturity at the option of Energy Northwest on or after the last Interest Payment Date for the Initial Interest Period therefor, in each case in whole or in part at any time at a redemption price equal to the principal amount of such Series 2001-B Bond to be redeemed, plus interest accrued thereon to the date of redemption

Mandatory Redemption. The Series 2001-B Bonds are not subject to mandatory redemption prior to maturity.

Notice of Redemption

The Supplemental Resolution requires that notice of redemption of any Series 2001-B Bond is to be given by first-class mail or in such other manner as is required by the Supplemental Resolution not less than 10 days nor more than 60 days before the redemption date to the registered owners of the Series 2001-B Bonds which are to be redeemed. Such notice shall be deemed conclusively to be received by the registered owners of the Series 2001-B Bonds which are to be redeemed, whether or not such notice is actually received. Mailing of such notice of redemption shall not be a condition precedent to such redemption and failure to mail any such notice or any defect therein shall not affect the validity of the redemption proceedings for the Series 2001-B Bonds being redeemed. Each Supplemental Resolution further provides that, notice of redemption having been given as described above, the Series 2001-B Bonds called for redemption shall become due and payable on the redemption date specified in such notice and that interest thereon shall cease to accrue from and after the redemption date, if moneys sufficient for the redemption of the Series 2001-B Bonds to be redeemed, together with interest thereon to the redemption date, are held by the Paying Agent for such Series 2001-B Bonds on the redemption date.

Transfer and Exchange

For as long as the Series 2001-B Bonds are book-entry bonds, as described below under "Book-Entry Only System," payment of the principal of, premium, if any, and interest on such Series 2001-B Bonds shall be made and given in accordance with DTC's operational arrangements. If in the future the Series 2001-B Bonds cease to be book-entry bonds, the principal of any Series 2001-B Bond will be payable, on presentation and surrender of such Series 2001-B Bond, in lawful money of the United States of America, without exchange or collection charges to the registered owner of such Series 2001-B Bond, at the principal payment office of the Trustee for the Series 2001-B Bonds. All interest accruing prior to maturity on any Series 2001-B Bond that ceases to be a book-entry bond shall be paid by check or draft mailed to the registered holder of such Series 2001-B Bond at its address as it appears on the registration books of the Trustee.

Except as described below under "Book-Entry Only System" under "DESCRIPTION OF THE SERIES 2001-A BONDS - Book-Entry Only System" and Appendix H in the 2001-A Official Statement, the Series 2001-B Bonds shall be transferable only upon presentation and surrender thereof at the corporate trust office of the Trustee, acting in its capacity as bond registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the registered owner or his authorized representative in form satisfactory to the Trustee. Upon due presentation of any Series 2001-B Bond for transfer, the Trustee shall authenticate and deliver in exchange therefor, a new Series 2001-B Bond or Series 2001-B Bonds of the same series registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount, and bearing or accruing interest at the same rate as the Series 2001-B Bond or the Series 2001-B Bonds so presented and surrendered. The Trustee may require the registered owner of any Series 2001-B Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Series 2001-B Bond and any legal or unusual costs regarding transfers and exchanges of Bonds.

Energy Northwest, the Trustee, and any other person may treat the person in whose name any Series 2001-B Bond of any series is registered as the absolute registered owner of such Series 2001-B Bond for the purpose of making payment of the principal and premium, if any, on such Series 2001-B Bond, and for the further purpose of making payment of interest thereon, for the purpose of giving notice to the holder of such Series 2001-B Bond, and for all other purposes, whether or not such Series 2001-B Bond is overdue, and neither Energy Northwest nor the Trustee shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the holder of any Series 2001-B Bond in accordance with the Resolution shall be valid and effectual and shall discharge the liability of Energy Northwest and the Trustee upon such Series 2001-B Bond to the extent of the sums paid.

Book-Entry Only System

The information contained herein and in the 2001-A Official Statement concerning DTC and its book-entry system has been obtained from DTC. Energy Northwest believes such information to be reliable, but Energy Northwest takes no responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Series 2001-B Bonds. The Series 2001-B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each Subseries of the Series 2001-B Bonds, each in the aggregate principal amount of such Subseries, and will be deposited with DTC. Purchasers of beneficial ownership interests will not receive certificates representing their beneficial ownership interests in the Series 2001-B Bonds. Purchases and sales by the beneficial owners of the Series 2001-B Bonds shall initially be in the principal amount of \$25,000 or any integral multiple thereof, in book-entry form only. See "DESCRIPTION OF THE SERIES 2001-A BONDS - Book-Entry Only System; Transferability and Registration" and Appendix H in the 2001-A Official Statement.

PLAN OF REFUNDING

General

The Project 1 2001-B Bonds are being issued for the purposes of providing funds, to refund \$19,862,500 aggregate principal amount of Project 1 Prior Lien Bonds (the "Project 1 Prior Lien Refunded Bonds") and \$4,805,000 aggregate principal amount of Project 1 Electric Revenue Bonds (the "Project 1 Electric Revenue Refunded Bonds" and, together with the Project 1 Prior Lien Refunded Bonds, are herein referred to collectively as the "Project 1 Refunded Bonds"). The Project 1 Refunded Bonds were issued pursuant to the Project 1 Prior Lien Resolution and the Project 1 Electric Bond Resolution for the purpose of refinancing the costs of planning, construction and acquisition of Project 1. The Columbia 2001-B Bonds are being issued for the purposes of providing funds to refund \$42,870,000 aggregate principal amount of Columbia Prior Lien Bonds (the "Columbia Prior Lien Refunded Bonds") and \$7,100,000 aggregate principal amount of Columbia Electric Revenue Bonds (the "Columbia Electric Revenue Refunded Bonds" and, together with the Columbia Prior Lien Refunded Bonds, are herein referred to collectively as the "Columbia Refunded Bonds"). The Columbia Refunded Bonds were issued pursuant to the Columbia Prior Lien Resolution and the Columbia Electric Revenue Bond Resolution for the purpose of refinancing the costs of planning, construction and acquisition of Columbia. The Project 3 2001-B Bonds are being issued for the purposes of providing funds, to refund \$20,658,810 aggregate principal amount of Project 3 Prior Lien Bonds (the "Project 3 Prior Lien Refunded Bonds") and \$5,775,000 aggregate principal amount of Project 3 Electric Revenue Bonds (the "Project 3 Electric Revenue Refunded Bonds" and, together with the Project 3 Prior Lien Refunded Bonds, are herein referred to collectively as the "Project 3 Refunded Bonds" and, together with the Project 1 Refunded Bonds and the Columbia Refunded Bonds, collectively the "Refunded Bonds"). The Project 3 Refunded Bonds were issued pursuant to the Project 3 Prior Lien Resolution and the Project 3 Electric Revenue Bond Resolution for the purpose of refinancing the costs of planning, construction and acquisition of Project 3. The Project 1 Prior Lien Refunded Bonds, the Columbia Prior Lien Refunded Bonds and the Project 3 Prior Lien Refunded Bonds are herein referred to collectively as the "Prior Lien Refunded Bonds." The Project 1 Electric Revenue Refunded Bonds, the Columbia Electric Revenue Refunded Bonds and the Project 3 Electric Revenue Refunded Bonds are herein referred to collectively as the "Electric Revenue Refunded Bonds."

A portion of the proceeds of the Series 2001-B Bonds will be deposited in trust with each Bond Fund Trustee to be held together with other funds on deposit with such Bond Fund Trustee in the various Bond Funds established under each Prior Lien Resolution for the purpose of paying debt service on various Series of Project 1 Prior Lien Refunded Bonds, the Columbia Prior Lien Refunded Bonds and the Project 3 Prior Lien Refunded Bonds, as the case may be. Amounts so held will be used to purchase investment securities permitted by the respective Prior Lien Resolutions (the "Investment Securities"), maturing in such amounts and at such times as shall be sufficient, together with the interest to accrue thereon, to pay the principal or redemption price of all of the Prior Lien Refunded Bonds on July 1, 2001, as shown in the following table entitled "Refunded Bonds". The balance of the proceeds of the Series 2001-B Bonds will be deposited in trust with each Trustee to be held together with other funds on deposit with such Trustee in the various Debt Service Accounts established under each Electric Revenue Bond Resolution for the purpose of paying debt service on the various series of Project 1 Electric Revenue Refunded Bonds, the Columbia Electric Revenue Refunded Bonds and the Project 3 Electric Revenue Refunded Bonds, as the case may be. Amounts so held will be used to purchase investment securities permitted by the respective Electric Revenue Bond Resolutions (the "Investment Securities"), maturing in such amounts and at such times as shall be sufficient, together with the interest to accrue thereon, to pay the principal or redemption price of all of the Electric Revenue Refunded Bonds, as shown in the following table entitled "Refunded Bonds." At the time of such deposit, Energy Northwest shall direct the Bond Fund Trustee and Trustee for the Series of Refunded Bonds to make an irrevocable provision for the giving of notice of redemption of such Refunded Bonds to be redeemed.

2000 Refunding Plan

In the Spring of 2000, Bonneville presented its Debt Optimization Proposal ("Bonneville Proposal") to Energy Northwest. The Bonneville Proposal involved the extension of the final maturity of outstanding Columbia Refunding Revenue Bonds from 2012 to 2018 through a series of refunding bond issues (the "Columbia Debt Extension Program"). Bonneville manages its overall debt portfolio to meet the objectives of: (1) minimizing the cost of debt to Bonneville's rate payers; (2) maximizing Bonneville's access

to its lowest cost capital sources to meet future capital needs at the lowest cost to rate payers; and (3) maintaining sufficient financial flexibility to handle Bonneville's financial requirements. The Columbia Debt Extension Program will provide Bonneville with cash flow flexibility in funding planned capital expenditures, allow Bonneville to advance the amortization of Bonneville's high interest Federal debt and reduce Bonneville's overall fixed costs.

Energy Northwest, in response to the Bonneville Proposal, developed its 2000 Refunding Plan. In addition to the Columbia Debt Extension Program, the 2000 Refunding Plan reaffirms the historical debt service savings goals for any future refinancing of Projects 1 and 3 Net Billed Bonds. The Executive Board of Energy Northwest formally adopted the 2000 Refunding Plan in October 2000.

Information relating to the Prior Lien Refunded Bonds and the Electric Revenue Refunded Bonds to be refunded with the proceeds of the Series 2001-B Bonds is set forth below.

Refunded Bonds

Prior Lien Refunded Bonds

| Project | Series | Amount | Maturity (July 1) | Interest Rate | Redemption Date | Redemption Price |
|----------|--------|------------|----------------------|------------------|--------------------|---------------------|
| 1 | 1989A | \$926,250 | 2001 | 7.10 | N.A. | N.A. |
| 1 | 1989B | 1,386,250 | 2001 | 7.15 | N.A. | N.A. |
| 1 | 1990A | 1,731,250 | 2001 | 7.40 | N.A. | N.A. |
| 1 | 1990B | 1,935,000 | 2001 | 7.10 | N.A. | N.A. |
| 1 | 1990C | 5,651,250 | 2001 | 7.625 | N.A. | N.A. |
| 1 | 1991A | 1,186,250 | 2001 | 6.30 | N.A. | N.A. |
| 1 | 1992A | 136,250 | 2001 | 5.60 | N.A. | N.A. |
| 1 | 1993A | 3,478,750 | 2001 | 5.25 | N.A. | N.A. |
| 1 | 1993B | 1,253,750 | 2001 | 5.00 | N.A. | N.A. |
| 1 | 1993C | 140,000 | 2001 | 4.60 | N.A. | N.A. |
| 1 | 1996A | 885,000 | 2001 | 5.25 | N.A. | N.A. |
| 1 | 1996B | 81,250 | 2001 | 5.00 | N.A. | N.A. |
| 1 | 1996C | 306,250 | 2001 | 5.00 | N.A. | N.A. |
| 1 | 1997A | 43,750 | 2001 | 5.00 | N.A. | N.A. |
| 1 | 1997B | 510,000 | 2001 | 5.00 | N.A. | N.A. |
| 1 | 1998A | 211,250 | 2001 | 5.00 | N.A. | N.A. |
| Columbia | 1990C | 19,031,250 | 2001 | 7.00 | N.A. | N.A. |
| Columbia | 1991A | 4,753,750 | 2001 | 6.30 | N.A. | N.A. |
| Columbia | 1992A | 3,270,000 | 2001 | 5.60 | N.A. | N.A. |
| Columbia | 1993A | 3,031,250 | 2001 | 5.25 | N.A. | N.A. |
| Columbia | 1993B | 1,503,750 | 2001 | 5.00 | N.A. | N.A. |
| Columbia | 1994A | 1,655,000 | 2001 | 4.30 | N.A. | N.A. |
| Columbia | 1996A | 1,588,750 | 2001 | 5.00 | N.A. | N.A. |
| Columbia | 1997A | 7,157,500 | 2001 | 5.00 | N.A. | N.A. |
| Columbia | 1997B | 340,000 | 2001 | 5.00 | N.A. | N.A. |
| Columbia | 1998A | 538,750 | 2001 | 5.00 | N.A. | N.A. |
| 3 | 1989A | 898,750 | 2001 | 7.10 | N.A. | N.A. |
| 3 | 1989B | 3,100,000 | 2001 | 7.15 | N.A. | N.A. |
| 3 | 1990B | 4,653,810 | 2001 | 7.40 | N.A. | N.A. |
| 3 | 1990B | 3,675,000 | 2001 | 7.375 | N.A. | N.A. |
| 3 | 1991A | 997,500 | 2001 | 6.30 | N.A. | N.A. |
| 3 | 1993B | 1,927,500 | 2001 | 5.00 | N.A. | N.A. |
| 3 | 1993C | 1,465,000 | 2001 | 5.00 | N.A. | N.A. |
| 3 | 1996A | 68,750 | 2001 | 5.00 | N.A. | N.A. |
| 3 | 1997A | 245,000 | 2001 | 5.00 | N.A. | N.A. |
| 3 | 1998A | 3,627,500 | 2001 | 5.00 | N.A. | N.A. |

Electric Revenue Refunded Bonds

| Project | Series | Amount | Maturity (July 1) | Interest Rate | Redemption Date | Redemption Price |
|---------|-----------|-------------|----------------------|------------------|--------------------|---------------------|
| 1 | 1993-1A-1 | \$2,065,000 | 2017 | variable | July 1, 2001 | 100% |
| 1 | 1993-1A-2 | 2,065,000 | 2017 | variable | July 1, 2001 | 100% |

| | | | | | | |
|----------|-----------|-----------|------|----------|--------------|------|
| 1 | 1993-1A-3 | 675,000 | 2017 | variable | July 1, 2001 | 100% |
| Columbia | 1997-2A-1 | 3,550,000 | 2012 | variable | July 1, 2001 | 100% |
| Columbia | 1997-2A-2 | 3,550,000 | 2012 | variable | July 1, 2001 | 100% |
| 3 | 1993-3A-3 | 775,000 | 2018 | variable | July 1, 2001 | 100% |
| 3 | 1993-3A-3 | 230,000 | 2018 | variable | July 2, 2001 | 100% |
| 3 | 1998-3A-1 | 4,770,000 | 2018 | variable | July 1, 2001 | 100% |

ESTIMATED APPLICATION OF BOND PROCEEDS

| | |
|---|-------------------|
| Deposits with Bond Fund Trustee and Trustee for the Project 1 Refunded Bonds..... | \$24,519,992.00 |
| Deposits with Bond Fund Trustee and Trustee for the Columbia Refunded Bonds..... | 49,670,626.68 |
| Deposits with Bond Fund Trustee and Trustee for the Project 3 Refunded Bonds..... | 26,275,396.00 |
| Costs of Issuance including Underwriters' Discount..... | <u>569,140.57</u> |
| Total..... | \$101,035,155.25 |

MUNICIPAL BOND INSURANCE POLICY

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix D for a specimen of the Insurer's policy.

The Insurer's policies (the "Policies") unconditionally and irrevocably guarantee the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2001-B Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policies shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2001-B Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Policies do not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2001-B Bond. The Policies do not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2001-B Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policies also do not insure against nonpayment of principal of or interest on the Series 2001-B Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 2001-B Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a Series 2001-B Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2001-B Bonds or presentment of such other proof of ownership of the Series 2001-B Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Series 2001-B Bonds in any legal proceeding related to payment of insured amounts on the Series 2001-B Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Series 2001-B Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). the Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1999, the Insurer had admitted assets of \$7.0 billion (audited), total liabilities of \$4.6 billion (audited), and total capital and surplus of \$2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2000, the Insurer had admitted assets of \$7.6 billion (audited), total liabilities of \$5.2 billion (audited), and total capital and surplus of \$2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year-end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of the Company is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa".

Standard & Poor's Ratings Services Group, a division of The McGraw-Hill Companies, Inc., rates the financial strength of the Insurer "AAA".

Fitch, Inc. rates the financial strength of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2001-B Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2001-B Bonds. The Insurer does not guaranty the market price of the Series 2001-B Bonds nor does it guaranty that the ratings on the Series 2001-B Bonds will not be revised or withdrawn.

LEGAL MATTERS

The approving opinions of Willkie Farr & Gallagher, Bond Counsel to Energy Northwest, as to the legality of the Series 2001-B Bonds will be in substantially the forms appended hereto in Appendices A-1, A-3 and A-5. The opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, as to the exclusion of the interest on the Series 2001-B Bonds from the gross income of the owner thereof for Federal Income Tax purposes will be in substantially the form appended hereto in Appendix B.

Bond Counsel and General Counsel to Energy Northwest will also render opinions with respect to the validity and enforceability of the Net Billing Agreements and the Assignment Agreements. In rendering their opinions with respect to the Net Billing Agreements, Bond Counsel and General Counsel to Energy Northwest will assume the correctness of the opinions of counsel to each of the Participants, rendered in 1971, 1972, 1973 and 1974 as to (1) the due organization of and the due authorization of such Net Billing Agreements by such Participants, (2) except in the case of one Participant as to which there was an irregularity in the proceedings relating to the execution of the Net Billing Agreement to which it is a party, the due execution and delivery by such Participants of such Net Billing Agreements and (3) the fact that such Net Billing Agreements did not violate or conflict with applicable law. As to the due authorization, execution and delivery of the Net Billing Agreements and the Assignment Agreements by Bonneville and certain other matters, Bond Counsel and General Counsel to Energy Northwest will rely on the opinion of Bonneville's Acting General Counsel. A copy of the proposed forms of these opinions of Bond Counsel is appended hereto in Appendices A-2, A-4 and A-6.

See "SECURITY FOR THE PRIOR LIEN BONDS — Net Billing Agreements" and "— Assignment Agreements" in the 2001-A Official Statement for a discussion of Bonneville's agreement to pay directly to Energy Northwest certain amounts which are not paid by a Participant and for a discussion of certain of Bonneville's obligations under the Assignment Agreements.

Certain legal matters, including the enforceability against Bonneville of the Net Billing Agreements and the Assignment Agreements, will be passed upon for Bonneville by its Acting General Counsel and by its Special Counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York.

Certain legal matters will be passed upon for the Underwriters by O'Melveny & Myers LLP, New York, New York, Counsel to the Underwriters.

TAX EXEMPTION

In the opinion of Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2001-B Bonds is excluded from gross income for federal income tax purposes under Title XIII of the Tax Reform Act of 1986, as amended (the "1986 Act"), and Section

103 of the Internal Revenue Code of 1954, as amended (the "Code"). Special Tax Counsel is of the further opinion that interest on the Series 2001-B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Tax Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. In rendering its opinion, Special Tax Counsel has relied on the opinion of Bond Counsel as to the validity of the Series 2001-B Bonds and the due authorization and issuance of the Series 2001-B Bonds. A complete copy of the proposed form of opinion of Special Tax Counsel is set forth in Appendix B hereto.

The amount by which the respective issue prices of the Series 2001-B Bonds of each maturity is less than the amount to be paid at maturity of such Series 2001-B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2001-B Bonds) constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 2001-B Bonds, as applicable, and is excluded from gross income for federal income tax purposes. For this purpose, the issue price of each maturity of the Series 2001-B Bonds is the first price at which a substantial amount of the Series 2001-B Bonds of such maturity is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to the Series 2001-B Bonds accrues daily over the term to maturity of such Series 2001-B Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2001-B Bonds to determine taxable gain or loss upon disposition (including sale, redemption or payment on maturity) of such Series 2001-B Bonds. Beneficial Owners of the Series 2001-B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the Series 2001-B Bonds, as applicable, including the treatment of purchasers who do not purchase such Series 2001-B Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2001-B Bonds of the same maturity is sold to the public.

Series 2001-B Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The 1986 Act imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2001-B Bonds. Energy Northwest and Bonneville have covenanted to comply with certain restrictions designed to insure that interest on the Series 2001-B Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series 2001-B Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2001-B Bonds. The opinion of Special Tax Counsel assumes compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2001-B Bonds may adversely affect the value of, or the tax status of interest on, the Series 2001-B Bonds. Further, no assurance can be given that pending or future legislation or amendments to the 1986 Act, if enacted into law, or any proposed legislation or amendments to the 1986 Act, will not adversely affect the value of, or the tax status of interest on, the Series 2001-B Bonds.

Certain agreements, requirements and procedures contained or referred to in the Resolutions, as applicable, the Tax Matters Certificates to be executed by Energy Northwest and by Bonneville simultaneously with the issuance of the Series 2001-B Bonds, and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Special Tax Counsel expresses no opinion as to any Series 2001-B Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Special Tax Counsel is of the opinion that interest on the Series 2001-B Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2001-B Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

RATINGS

Fitch, Inc., Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Credit Market Services ("S&P") have assigned the Series 2001-B Bonds the ratings of AAA, Aaa and AAA, respectively. All of the Series 2001-B Bonds are insured by MBIA. Such ratings reflect only the respective views of such rating agencies, and an explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. There is no assurance that any or all of such ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency

furnishing the same if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2001-B Bonds.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 2001-B Bonds from Energy Northwest at an aggregate underwriting discount from the initial public offering prices set forth on the cover page of this Official Statement of \$553,284.76 and to make a bona fide public offering of the Series 2001-B Bonds at not in excess of such public offering prices. The Underwriters' obligations are subject to certain conditions precedent contained in the bond purchase contract and they will be obligated to purchase all such Series 2001-B Bonds, if any such Bonds are purchased. The Series 2001-B Bonds may be offered and sold to certain dealers, banks and others (including underwriters and other dealers depositing such Series 2001-B Bonds into investment trusts) at prices lower than such initial offering prices and such initial offering prices may be changed from time to time by the Underwriters of the Series 2001-B Bonds.

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 ("Rule 15c2-12"), Energy Northwest and Bonneville will enter into a Continuing Disclosure Agreement, to be dated the date of delivery of the Series 2001-B Bonds for the benefit of holders of the Series 2001-B Bonds, to provide certain financial information and operating data relating to Energy Northwest (the "Energy Northwest Annual Information"), certain financial information and operating data relating to Bonneville (the "Bonneville Annual Information" and, together with Energy Northwest Annual Information, the "Annual Information") and to provide notices of the occurrence of certain enumerated events with respect to Series 2001-B Bonds, if material. Energy Northwest Annual Information is to be provided not later than December 31 of each year, commencing December 31, 2001. The Bonneville Annual Information is to be provided not later than March 31 of each year, commencing March 31, 2002. The Annual Information will be filed with each Nationally Recognized Municipal Securities Information Repository (the "NRMSIRs") and with the State Depository for the State of Washington, if such State Depository exists (the "State Depository"). At this time, there is no State Depository. Notices of aforesaid enumerated events will be filed by Energy Northwest with the NRMSIRs or the Municipal Securities Rulemaking Board (the "MSRB") and with the State Depository. Energy Northwest and Bonneville have complied with all previous undertakings with respect to Rule 15c2-12. For a description of the nature of the information to be provided in the Annual Information and the notices of such material events, see Appendix I, "SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT," to the 2001-A Official Statement

MISCELLANEOUS

The references, excerpts and summaries contained herein and in the 2001-A Official Statement, incorporated by reference herein, of the Net Billed Resolutions, the Net Billing Agreements, the Columbia Project Agreement, the Assignment Agreements, the Post Termination Agreements and any other documents or agreements referred to herein or therein do not purport to be complete statements of the provisions of such documents or agreements and reference should be made to such documents or agreements for a full and complete statement of all matters relating to the Series 2001-B Bonds, the basic agreements securing the Series 2001-B Bonds and the rights and obligations of the holders thereof. Copies of the forms of the Net Billed Resolutions, Net Billing Agreements, the Columbia Project Agreement, Assignment Agreements for the Net Billed Projects, including copies of the forms of such agreements as amended for Project 1 and copies of the Post Termination Agreements and other reports, documents, agreements and studies referred to herein and in the Appendices hereto are available upon request at the office of Energy Northwest in Richland, Washington.

The authorizations, agreements and covenants of Energy Northwest are set forth in the Net Billed Resolutions and neither this Official Statement or the 2001-A Official Statement, incorporated by reference herein, nor any advertisement of the Series 2001-B Bonds is to be construed as a contract with the holders of the Series 2001-B Bonds. Any statements made in this Official Statement or in the 2001-A Official Statement, incorporated herein, involving matters of opinion or estimates, whether or not expressly so identified, are intended merely as such and not as representations of fact.

Bonneville has furnished the information herein relating to it.

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The delivery of this Official Statement has been duly authorized by Energy Northwest.

ENERGY NORTHWEST

By: /s/ Rudolph Bertschi
Chairman of Executive Board

By: /s/ Gerald J. Kuchera
Chief Financial Officer

**Upon delivery of the Series 2001-B Bonds
Bond Counsel proposes to render
an opinion in substantially the following form.**

Executive Board
Energy Northwest
Richland, Washington 99352-0968

Ladies and Gentlemen:

We have acted as bond counsel to Energy Northwest (formerly known as the Washington Public Power Supply System), a municipal corporation of the State of Washington (the "State"), created and existing under and pursuant to Chapter 43.52 of the Revised Code of Washington, as amended (the "Act"), in connection with the issuance of its \$23,600,000 Project No. 1 Refunding Electric Revenue Bonds, Series 2001-B (the "Series 2001-B Bonds"). The Series 2001-B Bonds are authorized to be issued pursuant to (i) the Act, (ii) Resolution No. 835 (the "Electric Bond Resolution"), adopted by the Executive Board of Energy Northwest (the "Executive Board") on November 23, 1993, and (iii) a resolution entitled "A Supplemental Resolution Providing for the Issuance of \$23,600,000 Energy Northwest Project No. 1 Refunding Electric Revenue Bonds, Series 2001-B" (the "Supplemental Resolution") adopted by the Executive Board pursuant to the Electric Bond Resolution on April 19, 2001. The Electric Bond Resolution and the Supplemental Resolution are hereinafter, collectively, referred to as the "Electric Bond Resolutions." All capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed thereto in the Electric Bond Resolutions.

The Series 2001-B Bonds are dated, will mature and will bear interest at the rates per annum, all as set forth in the Supplemental Resolution. The Series 2001-B Bonds are subject to optional redemption in the manner and upon the terms and conditions set forth in the Supplemental Resolution. The Series 2001-B are not subject to mandatory redemption prior to their stated maturity. The Series 2001-B Bonds rank junior as to security and payment to bonds issued and outstanding under the Prior Lien Resolution. The Series 2001-B Bonds rank equally as to security and payment with all other Parity Debt.

In connection with the issuance of the Series 2001-B Bonds, we have examined the following:

- (i) The Constitution and statutes of the State, including particularly the Act, and such court decisions, rulings and regulations, both State and Federal, as we have deemed relevant;
- (ii) A certified copy of Energy Northwest Resolution No. 769 adopted on September 18, 1975, as amended and supplemented (the "Prior Lien Resolution");
- (iii) Certified copies of the proceedings of Energy Northwest preliminary to and in connection with the issuance of the Series 2001-B Bonds, including particularly (a) the Electric Bond Resolution which authorizes, among other things, the issuance, from time to time, of Parity Debt, (b) the Supplemental Resolution which authorizes, among other things, the issuance of the Series 2001-B Bonds and (c) a resolution, adopted by Energy Northwest on April 19, 2001 (the "Electric Bond Sale Resolution"), authorizing, among other things, the sale of the Series 2001-B Bonds and the execution and delivery of a Contract of Purchase, dated April 19, 2001 (the "Contract of Purchase"), by and between Energy Northwest and the underwriters named therein;
- (iv) The Contract of Purchase, and such legal opinions, certificates and proofs submitted to us relative to the issuance and sale of the Series 2001-B Bonds as we deemed necessary or advisable; and
- (v) The lowest sequentially numbered and executed Series 2001-B Bond issued on the date hereof.

Based upon the foregoing, it is our opinion that:

1. Energy Northwest is a municipal corporation and joint operating agency, duly created and existing under the laws of the State, including particularly the Act, having the right and power under the Act to acquire, construct, own and operate the Project, adopt the Prior Lien Resolution, the Electric Bond Resolutions and the Electric Bond Sale Resolution, issue the Series 2001-B Bonds and apply the proceeds of the Series 2001-B Bonds in accordance with the Supplemental Resolution.

2. The Electric Bond Resolutions and the Electric Bond Sale Resolution have been duly and lawfully adopted by Energy Northwest, are in full force and effect, are valid and binding upon Energy Northwest and are enforceable in accordance with their terms.

3. The Prior Lien Resolution has been duly and lawfully adopted by Energy Northwest, is in full force and effect, is valid and binding upon Energy Northwest and is enforceable in accordance with its terms.

4. The Series 2001-B Bonds have been duly and validly authorized and issued under the Act and the Electric Bond Resolutions and constitute valid and binding special revenue obligations of Energy Northwest, enforceable in accordance with their terms and the terms of the Electric Bond Resolutions.

5. The Series 2001-B Bonds are payable solely from the revenues and other amounts pledged to such payment under the Electric Bond Resolutions. The Series 2001-B Bonds are not a debt of the State or any political subdivision thereof (other than Energy Northwest) and neither the State nor any other political subdivision of the State is liable thereon.

In rendering the foregoing opinions, we wish to advise you that the enforceability of the Electric Bond Resolutions, the Electric Bond Sale Resolution, the Prior Lien Resolution and the Series 2001-B Bonds may be limited by (i) any applicable bankruptcy, insolvency or other law or enactment now or hereinafter enacted by the State or Federal government affecting the enforcement of creditors' rights and (ii) the unavailability of equitable remedies or the application thereto of equitable principles. Further, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings. We have not verified, and express no opinions as to, the accuracy of any "CUSIP" identification number which may be printed on any Series 2001-B Bond.

Very truly yours,

**Upon delivery of the Series 2001-B Bonds
Bond Counsel proposes to render
an opinion in substantially the following form.**

Executive Board
Energy Northwest
Richland, Washington 99352-0968

Ladies and Gentlemen:

We are acting as bond counsel with respect to the issuance of Project No. 1 Refunding Electric Revenue Bonds, Series 2001-B, in the aggregate principal amount of \$23,600,000 (the "Series 2001-B Bonds"), by Energy Northwest (formerly known as the Washington Public Power Supply System), a municipal corporation and a joint operating agency organized and existing under the laws of the State of Washington (the "State"). The Series 2001-B Bonds are authorized to be issued pursuant to (i) Chapter 43.52 of the Revised Code of Washington, as amended (the "Act"), (ii) Electric Revenue Bond Resolution No. 835, entitled "A Resolution Providing For The Issuance Of Washington Public Power Supply System Project No. 1 Electric Revenue Bonds," adopted by the Executive Board of Energy Northwest (the "Executive Board") on November 23, 1993 (the "Resolution"), and (iii) Resolution No. 1177, entitled "A Supplemental Resolution Providing for the Issuance of Energy Northwest Project No. 1 Refunding Electric Revenue Bonds, Series 2001-B" adopted by the Executive Board on April 19, 2001 (the "Supplemental Resolution"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Resolution or the Supplemental Resolution, as applicable.

In connection with the issuance of the Series 2001-B Bonds, Energy Northwest has requested that we examine the validity of the WPPSS No. 1 Project Net Billing Agreements (the "Net Billing Agreements"), the Project No. 1 Assignment Agreement, dated as of August 24, 1984 (the "Assignment Agreement"), by and between Energy Northwest and the United States of America, Department of Energy, acting by and through the Administrator (the "Administrator") of the Bonneville Power Administration ("Bonneville"), and the letter agreement, dated August 1, 1989 (the "1989 Letter Agreement"), by and between Energy Northwest and the Administrator.

For the purpose of rendering this opinion, we have reviewed the following:

- (a) The Constitution of the State and such statutes and regulations as we deemed relevant to this opinion, including particularly the Act;
- (b) The Constitution of the United States of America and such statutes and regulations as we deemed relevant to this opinion, including particularly the Bonneville Project Act of 1937, as amended (the "Bonneville Act"), the Flood Control Act of 1944, Public Law 88-552, as amended, the Federal Columbia River Transmission System, Act of 1974, as amended, and the Pacific Northwest Electric Power Planning and Conservation Act of 1980, as amended;
- (c) Executed or certified copies of the Resolution and the Supplemental Resolution;
- (d) Executed or certified copies of the Net Billing Agreements, the Assignment Agreement and the 1989 Letter Agreement;
- (e) The Certificate of the Chairman of the Executive Board, dated the date hereof, certifying that, except as described in the Official Statement for the Series 2001-B Bonds, dated April 9, 2001, (i) neither Energy Northwest nor, to the best of his knowledge, any other party thereto has taken any action to (1) repeal, modify or terminate the Net Billing Agreements, the Assignment Agreement or the 1989 Letter Agreement, or (2) repeal any proceeding authorizing the execution and delivery of any such Agreement, and (ii) to the best of his knowledge, each such Agreement remains in full force and effect as of the date hereof;
- (f) The Certificate of the Administrator, dated the date hereof, certifying that, (i) neither the Administrator nor, to the best of his knowledge, any other party thereto has taken any action to (1) repeal, modify or terminate the Net Billing Agreements, the Assignment Agreement or the 1989 Letter Agreement, or (2) repeal any proceeding authorizing the execution and delivery of any such Agreement, and (ii) to the best of his knowledge, each such Agreement remains in full force and effect as of the date hereof;

(g) Certified copies of the proceedings of Energy Northwest authorizing the execution and delivery of the Net Billing Agreements, the Assignment Agreement and the 1989 Letter Agreement and such other documents, proceedings and matters relating to the authorization, execution and delivery of such Agreements by each of the parties thereto as we deemed relevant;

(h) The respective opinions of counsel for each of the WPPSS No. 1 Project Participants (collectively, the "Local Counsel Opinions"), rendered in 1971 and 1972, to the effect that, *inter alia*, the Net Billing Agreement to which such WPPSS No. 1 Project Participant is a party was duly authorized, executed and delivered by such Participant and did not constitute a violation of or conflict with the provisions of applicable law;

(i) The opinion of Acting General Counsel to Bonneville, dated the date hereof, to the effect that, *inter alia*, (i) the office of Administrator was duly established and is validly existing under the Bonneville Act, (ii) the Administrator was duly authorized to execute and deliver the Net Billing Agreements, the Project Agreement, the Assignment Agreement and the 1989 Letter Agreement and (iii) each of the Net Billing Agreements, the Assignment Agreement and the 1989 Letter Agreement has been duly authorized, executed and delivered by the Administrator and did not constitute a violation of or conflict with the provisions of applicable law;

(j) The opinion of Lindsay, Hart, Neil & Weigler, special counsel to Energy Northwest, dated March 14, 1990, to the effect that the WPPSS No. 1 Project Participant identified therein is validly existing and that such Participant has duly adopted, ratified and confirmed the execution and delivery of the Net Billing Agreement to which it is a party;

(k) The decision of the United States Court of Appeals for the Ninth Circuit in *City of Springfield v. Washington Public Power Supply System, et al.*, 752 F.2d 1423 (9th Cir. 1985), *cert. denied*, 474 U.S. 1055 (1986);

(l) A certified copy of Energy Northwest Resolution No. 769 adopted on September 18, 1975, as amended and supplemented (the "Prior Lien Resolution"); and

(m) Such other documents, agreements, proceedings, pleadings, court decisions, statutes, matters and questions of law as we deemed necessary or appropriate for the purposes hereof.

Based upon the foregoing and in reliance thereon, we are of the opinion that each of the Net Billing Agreements and the Assignment Agreement is a legal and valid obligation of each of the parties thereto, enforceable against such parties in accordance with its terms, and that the 1989 Letter Agreement is a legal and valid obligation of Energy Northwest, enforceable against Energy Northwest in accordance with their terms; provided, however, that the enforceability of all such Agreements may be subject to (i) the valid exercise of sovereign state police powers; (ii) the limitations on legal remedies against the United States of America under Federal law now or hereafter enacted; (iii) applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws or enactments now or hereafter enacted by any state or the Federal government affecting the enforcement of creditors' rights; and (iv) the unavailability of equitable remedies or the application of general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

In rendering this opinion, (a) we have assumed with your consent (1) the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the legal capacity of natural persons, and the conformity to the originals of all documents submitted to us as copies; (2) the truth and accuracy of all representations set forth in the Certificates of the Chairman of the Executive Board and the Administrator referred to above in paragraphs (e) and (f); and (3) the correctness, as of its date and the date hereof, of each Local Counsel Opinion referred to above in paragraph (h) as to (A) the due incorporation and valid organization and existence as a municipality, publicly owned utility or rural electric cooperative, as applicable, of the WPPSS No. 1 Project Participant represented by such counsel, (B) the due authorization by all requisite governmental or corporate action, as the case may be, and due execution and delivery of the Net Billing Agreement to which such Participant is a party by such Participant and (C) no violation of or conflict with the provisions of applicable law; and (b) we have, with your consent, relied on (1) the opinion of Acting General Counsel to Bonneville referred to above in paragraph (i) as to the matters described therein and (2) the opinion of Lindsay, Hart, Neil & Weigler referred to above in paragraph (j) as to the matters described therein.

Very truly yours,

**Upon delivery of the Series 2001-B Bonds
Bond Counsel proposes to render
an opinion in substantially the following form.**

Executive Board
Energy Northwest
Richland, Washington 99352-0968

Ladies and Gentlemen:

We have acted as bond counsel to Energy Northwest (formerly known as the Washington Public Power Supply System), a municipal corporation of the State of Washington (the "State") created and existing under and pursuant to Chapter 43.52 of the Revised Code of Washington, as amended (the "Act"), in connection with the issuance of its \$48,000,000 Columbia Generating Station Refunding Electric Revenue Bonds, Series 2001-B (the "Series 2001-B Bonds"). The Series 2001-B Bonds are authorized to be issued pursuant to (i) the Act, (ii) Resolution No. 1042, adopted by the Executive Board of Energy Northwest on October 23, 1997 (the "Electric Bond Resolution"), and (iii) a resolution entitled "A Supplemental Resolution Providing for the Issuance of \$48,000,000 Energy Northwest Columbia Generating Station Refunding Electric Revenue Bonds, Series 2001-B" (the "Supplemental Resolution") adopted by Energy Northwest pursuant to the Electric Bond Resolution on April 19, 2001. The Electric Bond Resolution and the Supplemental Resolution are hereinafter collectively referred to as the "Electric Bond Resolutions." All capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed thereto in the Electric Bond Resolutions.

The Series 2001-B Bonds are dated, will mature in the year and in the principal amount, and will bear interest at the respective rates per annum, all as set forth in the Supplemental Resolution. The Series 2001-B Bonds are subject to optional redemption in the manner and upon the terms and conditions set forth in the Electric Bond Resolutions. The Series 2001-B Bonds are not subject to mandatory redemption prior to their stated maturity. The Series 2001-B Bonds rank junior as to security and payment to bonds heretofore or hereafter issued and outstanding under the Prior Lien Resolution. The Series 2001-B Bonds rank equally as to security and payment with all other Parity Debt.

In connection with the issuance of the Series 2001-B Bonds, we have examined the following:

- (a) The Constitution and statutes of the State, including particularly the Act, and such court decisions, rulings and regulations, both State and Federal, as we have deemed relevant;
- (b) A certified copy of Energy Northwest Resolution No. 640 adopted on June 26, 1973, as amended and supplemented (the "Prior Lien Resolution");
- (c) Certified copies of the proceedings of Energy Northwest preliminary to and in connection with the issuance of the Series 2001-B Bonds, including particularly (a) the Electric Bond Resolution which authorizes, among other things, the issuance, from time to time, of Parity Debt, (b) the Supplemental Resolution which authorizes, among other things, the issuance of the Series 2001-B Bonds and (c) a resolution, adopted by Energy Northwest on April 19, 2001 (the "Electric Bond Sale Resolution"), authorizing, among other things, the sale of the Series 2001-B Bonds and the execution and delivery of a Contract of Purchase, dated April 19, 2001 (the "Contract of Purchase"), by and between Energy Northwest and the underwriters named therein;
- (d) The Contract of Purchase, and such legal opinions, certificates and proofs submitted to us relative to the issuance and sale of the Series 2001-B Bonds as we deemed necessary or advisable; and
- (e) The lowest sequentially numbered and executed Series 2001-B Bond issued on the date hereof.

Based upon the foregoing, it is our opinion that:

1. Energy Northwest is a municipal corporation and joint operating agency, duly created and existing under the laws of the State, including particularly the Act, having the right and power under the Act to acquire, construct, own and operate the Project, adopt the Prior Lien Resolution, the Electric Bond Resolutions and the Electric Bond Sale

Resolution, issue the Series 2001-B Bonds and apply the proceeds of the Series 2001-B Bonds in accordance with the Supplemental Resolution.

2. The Electric Bond Resolutions and the Electric Bond Sale Resolution have been duly and lawfully adopted by Energy Northwest, are in full force and effect, are valid and binding upon Energy Northwest and are enforceable in accordance with their terms.

3. The Prior Lien Bond Resolution has been duly and lawfully adopted by Energy Northwest, is in full force and effect, is valid and binding upon Energy Northwest and is enforceable in accordance with its terms.

4. The Series 2001-B Bonds have been duly and validly authorized and issued under the Act and the Electric Bond Resolutions and constitute valid and binding special revenue obligations of Energy Northwest, enforceable in accordance with their terms and the terms of the Electric Bond Resolutions.

5. The Series 2001-B Bonds are payable solely from the revenues and other amounts pledged to such payment under the Electric Bond Resolutions. The Series 2001-B Bonds are not a debt of the State or any political subdivision thereof (other than Energy Northwest) and neither the State nor any other political subdivision of the State is liable thereon.

In rendering the foregoing opinions, we wish to advise you that the enforceability of the Electric Bond Resolutions, the Electric Bond Sale Resolution, the Prior Lien Resolution and the Series 2001-B Bonds may be limited by (i) any applicable bankruptcy, insolvency or other law or enactment now or hereinafter enacted by the State or Federal government affecting the enforcement of creditors' rights and (ii) the unavailability of equitable remedies or the application thereto of equitable principles. Further, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings. We have not verified, and express no opinions as to, the accuracy of any "CUSIP" identification number which may be printed on any Series 2001-B Bond.

Very truly yours,

**Upon delivery of the Series 2001-B Bonds
Bond Counsel proposes to render
an opinion in substantially the following form.**

Executive Board
Energy Northwest
Richland, Washington 99352-0968

Ladies and Gentlemen:

We are acting as bond counsel with respect to the issuance of Columbia Generating Station Refunding Electric Revenue Bonds, Series 2001-B, in the aggregate principal amount of \$48,000,000 (the "Series 2001-B Bonds") by Energy Northwest (formerly known as the Washington Public Power Supply System), a municipal corporation and a joint operating agency organized and existing under the laws of the State of Washington (the "State"). The Series 2001-B Bonds are authorized to be issued pursuant to (i) Chapter 43.52 of the Revised Code of Washington, as amended (the "Act"), (ii) Electric Revenue Bond Resolution No. 1042, entitled "A Resolution Providing For The Issuance Of Washington Public Power Supply System Project No. 2 Electric Revenue Bonds," adopted by the Executive Board of Energy Northwest (the "Executive Board") on October 23, 1997 (the "Resolution"), and (iii) Resolution No. 1178, entitled "A Supplemental Resolution Providing for the Issuance of Energy Northwest Columbia Generating Station Refunding Electric Revenue Bonds, Series 2001-B" adopted by the Executive Board on April 19, 2001 (the "Supplemental Resolution"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Resolution or the Supplemental Resolution, as applicable.

In connection with the issuance of the Series 2001-B Bonds, Energy Northwest has requested that we examine the validity of the WPPSS No. 2 Project Net Billing Agreements (the "Net Billing Agreements"), the WPPSS No. 2 Project Agreement (the "Project Agreement"), the Project No. 2 Assignment Agreement, dated as of August 24, 1984 (the "Assignment Agreement"), by and between Energy Northwest and the United States of America, Department of Energy, acting by and through the Administrator (the "Administrator") of the Bonneville Power Administration ("Bonneville") and the letter agreement, dated August 1, 1989 (the "1989 Letter Agreement"), by and between Energy Northwest and the Administrator. The Columbia Generating Station was formerly known as Nuclear Project No. 2.

For the purpose of rendering this opinion, we have reviewed the following:

- (a) The Constitution of the State and such statutes and regulations as we deemed relevant to this opinion, including particularly the Act;
- (b) The Constitution of the United States of America and such statutes and regulations as we deemed relevant to this opinion, including particularly the Bonneville Project Act of 1937, as amended (the "Bonneville Act"), the Flood Control Act of 1944, Public Law 88-552, as amended, the Federal Columbia River Transmission System, Act of 1974, as amended, and the Pacific Northwest Electric Power Planning and Conservation Act of 1980, as amended;
- (c) Executed or certified copies of the Resolution and the Supplemental Resolution;
- (d) Executed or certified copies of the Net Billing Agreements, the Project Agreement, the Assignment Agreement and the 1989 Letter Agreement;
- (e) The Certificate of the Chairman of the Executive Board, dated the date hereof, certifying that (i) neither Energy Northwest nor, to the best of his knowledge, any other party thereto has taken any action to (1) repeal, modify or terminate the Net Billing Agreements, the Project Agreement, the Assignment Agreement, the 1989 Letter Agreement or the Bonneville Agreement, or (2) repeal any proceeding authorizing the execution and delivery of any such Agreement, and (ii) to the best of his knowledge, each such Agreement remains in full force and effect as of the date hereof;
- (f) The Certificate of the Administrator, dated the date hereof, certifying that (i) neither the Administrator nor, to the best of his knowledge, any other party thereto has taken any action to (1) repeal, modify or terminate the Net Billing Agreements, the Project Agreement, the Assignment Agreement or the 1989 Letter Agreement, or (2) repeal any proceeding authorizing the execution and delivery of any such Agreement, and (ii) to the best of his knowledge, each such Agreement remains in full force and effect as of the date hereof;

(g) Certified copies of the proceedings of Energy Northwest authorizing the execution and delivery of the Net Billing Agreements, the Project Agreement, the Assignment Agreement and the 1989 Letter Agreement and such other documents, proceedings and matters relating to the authorization, execution and delivery of such Agreements by each of the parties thereto as we deemed relevant;

(h) The respective opinions of counsel (collectively, the "Local Counsel Opinions") for each WPPSS No. 2 Project Participant, (herein "Columbia Generating Station Participant") rendered in 1971 and 1972, to the effect that, *inter alia*, the Net Billing Agreement to which such Columbia Generating Station Participant is a party was duly authorized, executed and delivered by such Participant and did not constitute a violation of or conflict with the provisions of applicable law;

(i) The opinion of Acting General Counsel to Bonneville, dated the date hereof, to the effect that, *inter alia*, (i) the office of Administrator was duly established and is validly existing under the Bonneville Act, (ii) the Administrator was duly authorized to execute and deliver the Net Billing Agreements, the Project Agreement, the Assignment Agreement and the 1989 Letter Agreement and (iii) each of the Net Billing Agreements, the Project Agreement, the Assignment Agreement and the 1989 Letter Agreement has been duly authorized, executed and delivered by the Administrator and did not constitute a violation of or conflict with the provisions of applicable law;

(j) The opinion of Lindsay, Hart, Neil & Weigler, special counsel to Energy Northwest, dated March 14, 1990, to the effect that the Columbia Generating Station Participant identified therein is validly existing and that such Participant has duly adopted, ratified and confirmed the execution and delivery of the Net Billing Agreement to which it is a party;

(k) The decision of the United States Court of Appeals for the Ninth Circuit in *City of Springfield v. Washington Public Power Supply System, et al.*, 752 F.2d 1423 (9th Cir. 1985), *cert. denied*, 474 U.S. 1055 (1986);

(l) A certified copy of Resolution No. 640 adopted by the Board of Directors of Energy Northwest on June 26, 1973, as amended and supplemented (the "Prior Lien Resolution"); and

(m) Such other documents, agreements, proceedings, pleadings, court decisions, statutes, matters and questions of law as we deemed necessary or appropriate for the purposes hereof.

Based upon the foregoing and in reliance thereon, we are of the opinion that each of the Net Billing Agreements, the Project Agreement and the Assignment Agreement is a legal and valid obligation of each of the parties thereto, enforceable against such parties in accordance with its terms, and that the 1989 Letter Agreement is a legal and valid obligation of Energy Northwest, enforceable against Energy Northwest in accordance with their terms; provided, however, that the enforceability of all such Agreements may be subject to (i) the valid exercise of sovereign state police powers; (ii) the limitations on legal remedies against the United States of America under Federal law now or hereafter enacted; (iii) applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws or enactments now or hereafter enacted by any state or the Federal government affecting the enforcement of creditors' rights; and (iv) the unavailability of equitable remedies or the application of general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

In rendering this opinion, (a) we have assumed with your consent (1) the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the legal capacity of natural persons, and the conformity to the originals of all documents submitted to us as copies; (2) the truth and accuracy of all representations set forth in the Certificates of the Chairman of the Executive Board and the Administrator referred to above in paragraphs (e) and (f); and (3) the correctness, as of its date and the date hereof, of each Local Counsel Opinion referred to above in paragraph (h) as to (A) the due incorporation and valid organization and existence as a municipality, publicly-owned utility or rural electric cooperative, as applicable, of the Columbia Generating Station Participant represented by such counsel, (B) the due authorization by all requisite governmental or corporate action, as the case may be, and due execution and delivery of the Net Billing Agreement to which such Participant is a party by such Participant and (C) no violation of or conflict with the provisions of applicable law; and (b) we have, with your consent, relied on (1) the opinion of Acting General Counsel to Bonneville referred to above in paragraph (i) as to the matters described therein and (2) the opinion of Lindsay, Hart, Neil & Weigler referred to above in paragraph (j) as to the matters described therein.

Very truly yours,

**Upon delivery of the Series 2001-B Bonds
Bond Counsel proposes to render
an opinion in substantially the following form.**

Executive Board
Energy Northwest
Richland, Washington 99352-0968

Ladies and Gentlemen:

We have acted as bond counsel to Energy Northwest (formerly known as the Washington Public Power Supply System), a municipal corporation of the State of Washington (the "State") created and existing under and pursuant to Chapter 43.52 of the Revised Code of Washington, as amended (the "Act"), in connection with the issuance of its \$25,675,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2001-B (the "Series 2001-B Bonds"). The Series 2001-B Bonds are authorized to be issued pursuant to (i) the Act, (ii) Resolution No. 838 (the "Electric Bond Resolution"), adopted by the Executive Board of Energy Northwest (the "Executive Board") on November 23, 1993 and (iii) a resolution entitled "A Supplemental Resolution Providing for the issuance of \$25,675,000 Energy Northwest Project No. 3 Refunding Revenue Bonds, Series 2001-B" (the "Supplemental Resolution") adopted by the Executive Board pursuant to the Electric Bond Resolution on April 19, 2001. The Electric Bond Resolution and the Supplemental Resolution are hereinafter collectively referred to as the "Electric Bond Resolutions." All capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed thereto in the Electric Bond Resolutions.

The Series 2001-B Bonds are dated, will mature on July 1 in the years and in the respective principal amounts, and will bear interest at the respective rates per annum, all as set forth in the Supplemental Resolution. The Series 2001-B Bonds are subject to optional redemption in the manner and upon the terms and conditions set forth in the Electric Bond Resolutions. The Series 2001-B Bonds are not subject to mandatory redemption prior to their stated maturity. The Series 2001-B Bonds rank junior as to security and payment to bonds issued and outstanding under the Prior Lien Resolution. The Series 2001-B Bonds rank equally as to security and payment with all other Parity Debt.

In connection with the issuance of the Series 2001-B Bonds, we have examined the following:

- (a) The Constitution and statutes of the State, including particularly the Act, and such court decisions, rulings and regulations, both State and Federal, as we have deemed relevant;
- (b) A certified copy of Energy Northwest Resolution No. 775 adopted on December 3, 1975, as amended and supplemented (the "Prior Lien Resolution");
- (c) Certified copies of the proceedings of Energy Northwest preliminary to and in connection with the issuance of the Series 2001-B Bonds, including particularly (i) the Electric Bond Resolution which authorizes, among other things, the issuance, from time to time, of Parity Debt, (ii) the Supplemental Resolution which authorizes, among other things, the issuance of the Series 2001-B Bonds and (iii) a resolution, adopted by Energy Northwest on April 19, 2001 (the "Electric Bond Sale Resolution"), authorizing, among other things, the sale of the Series 2001-B Bonds and the execution and delivery of a Contract of Purchase, dated April 19, 2001 (the "Contract of Purchase") by and between Energy Northwest and the underwriters named therein;
- (d) The Contract of Purchase and such legal opinions, certificates and proofs submitted to us relative to the issuance and sale of the Series 2001-B Bonds as we deemed necessary or advisable; and
- (e) The lowest sequentially numbered and executed Series 2001-B Bond issued on the date hereof.

Based upon the foregoing, it is our opinion that:

1. Energy Northwest is a municipal corporation and joint operating agency, duly created and existing under the laws of the State, including particularly the Act, having the right and power under the Act to acquire, construct, own and operate the Project, adopt the Prior Lien Resolution, the Electric Bond Resolutions and the Electric Bond Sale Resolution, issue the Series 2001-B Bonds and apply the proceeds of the Series 2001-B Bonds in accordance with the Supplemental Resolution.

2. The Electric Bond Resolutions and the Electric Bond Sale Resolution have been duly and lawfully adopted by Energy Northwest, are in full force and effect, are valid and binding upon Energy Northwest and are enforceable in accordance with their terms.

3. The Prior Lien Bond Resolution has been duly and lawfully adopted by Energy Northwest, is in full force and effect, is valid and binding upon Energy Northwest and is enforceable in accordance with its terms.

4. The Series 2001-B Bonds have been duly and validly authorized and issued under the Act and the Electric Bond Resolutions and constitute valid and binding special revenue obligations of Energy Northwest, enforceable in accordance with their terms and the terms of the Electric Bond Resolutions.

5. The Series 2001-B Bonds are payable solely from the revenues and other amounts pledged to such payment under the Electric Bond Resolutions. The Series 2001-B Bonds are not a debt of the State or any political subdivision thereof (other than Energy Northwest) and neither the State nor any other political subdivision of the State is liable thereon.

In rendering the foregoing opinions, we wish to advise you that the enforceability of the Electric Bond Resolutions, the Electric Bond Sale Resolution, the Prior Lien Resolution and the Series 2001-B Bonds may be limited by (i) any applicable bankruptcy, insolvency or other law or enactment now or hereinafter enacted by the State or Federal government affecting the enforcement of creditors' rights and (ii) the unavailability of equitable remedies or the application thereto of equitable principles. Further, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings. We have not verified, and express no opinions as to, the accuracy of any "CUSIP" identification number which may be printed on any Series 2001-B Bond.

Very truly yours,

**Upon delivery of the Series 2001-B Bonds
Bond Counsel proposes to render
an opinion in substantially the following form.**

Executive Board
Energy Northwest
Richland, Washington 99352-0968

Ladies and Gentlemen:

We are acting as bond counsel with respect to the issuance of Project No. 3 Refunding Electric Revenue Bonds, Series 2001-B, in the aggregate principal amount of \$25,675,000 (the "Series 2001-B Bonds") by Energy Northwest (formerly known as the Washington Public Power Supply System), a municipal corporation and a joint operating agency organized and existing under the laws of the State of Washington (the "State"). The Series 2001-B Bonds are authorized to be issued pursuant to (i) Chapter 43.52 of the Revised Code of Washington, as amended (the "Act"), (ii) Electric Revenue Bond Resolution No. 838, entitled "A Resolution Providing For The Issuance Of Washington Public Power Supply System Project No. 3 Electric Revenue Bonds" adopted by the Executive Board of Energy Northwest (the "Executive Board") on November 23, 1993 (the "Resolution"), and (iii) Resolution No. 1179, entitled "A Supplemental Resolution Providing for the Issuance of Energy Northwest Project No. 3 Refunding Electric Revenue Bonds, Series 2001-B" adopted by the Executive Board on April 19, 2001 (the "Supplemental Resolution"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Resolution or the Supplemental Resolution, as applicable.

In connection with the issuance of the Series 2001-B Bonds, Energy Northwest has requested that we examine the validity of the WPPSS No. 3 Project Net Billing Agreements (the "Net Billing Agreements"), the Project No. 3 Assignment Agreement, dated as of August 24, 1984 (the "Assignment Agreement"), by and between Energy Northwest and the United States of America, Department of Energy, acting by and through the Administrator (the "Administrator") of the Bonneville Power Administration ("Bonneville"), and the letter agreement, dated August 1, 1989 (the "1989 Letter Agreement"), by and between Energy Northwest and the Administrator.

For the purpose of rendering this opinion, we have reviewed the following:

- (a) The Constitution of the State and such statutes and regulations as we deemed relevant to this opinion, including particularly the Act;
- (b) The Constitution of the United States of America and such statutes and regulations as we deemed relevant to this opinion, including particularly the Bonneville Project Act of 1937, as amended (the "Bonneville Act"), the Flood Control Act of 1944, Public Law 88-552, as amended, the Federal Columbia River Transmission System, Act of 1974, as amended, and the Pacific Northwest Electric Power Planning and Conservation Act of 1980, as amended;
- (c) Executed or certified copies of the Resolution and the Supplemental Resolution;
- (d) Executed or certified copies of the Net Billing Agreements, the Assignment Agreement and the 1989 Letter Agreement;
- (e) The Certificate of the Chairman of the Executive Board, dated the date hereof, certifying that (i) neither Energy Northwest nor, to the best of his knowledge, any other party thereto has taken any action to (1) repeal, modify or terminate the Net Billing Agreements, the Assignment Agreement or the 1989 Letter Agreement, or (2) repeal any proceeding authorizing the execution and delivery of any such Agreement, and (ii) to the best of his knowledge, each such Agreement remains in full force and effect as of the date hereof;
- (f) The Certificate of the Administrator, dated the date hereof, certifying that, except as described in the Official Statement for the Series 2001-B Bonds dated April 9, 2001, (i) neither the Administrator nor, to the best of his knowledge, any other party thereto has taken any action to (1) repeal, modify or terminate the Net Billing Agreements, the Assignment Agreement or the 1989 Letter Agreement, or (2) repeal any proceeding authorizing the execution and delivery of any such Agreement, and (ii) to the best of his knowledge, each such Agreement remains in full force and effect as of the date hereof;

(g) Certified copies of the proceedings of Energy Northwest authorizing the execution and delivery of the Net Billing Agreements, the Assignment Agreement and the 1989 Letter Agreement and such other documents, proceedings and matters relating to the authorization, execution and delivery of such Agreements by each of the parties thereto as we deemed relevant;

(h) The respective opinions of counsel for each of the WPPSS No. 3 Project Participants (collectively, the "Local Counsel Opinions"), rendered in 1973, to the effect that, *inter alia*, the Net Billing Agreement to which such WPPSS No. 3 Project Participant is a party was duly authorized, executed and delivered by such Participant and did not constitute a violation of or conflict with the provisions of applicable law;

(i) The opinion of Acting General Counsel to Bonneville, dated the date hereof, to the effect that, *inter alia*, (i) the office of Administrator was duly established and is validly existing under the Bonneville Act, (ii) the Administrator was duly authorized to execute and deliver the Net Billing Agreements, the Assignment Agreement and the 1989 Letter Agreement and (iii) each of the Net Billing Agreements, the Assignment Agreement and the 1989 Letter Agreement has been duly authorized, executed and delivered by the Administrator and did not constitute a violation of or conflict with the provisions of applicable law;

(j) The opinion of Lindsay, Hart, Neil & Weigler, special counsel to Energy Northwest, dated July 19, 1989 and September 14, 1989, to the effect that the WPPSS No. 3 Project Participant identified therein is validly existing and that such Participant has duly adopted, ratified and confirmed the execution and delivery of the Net Billing Agreement to which it is a party;

(k) The decision of the United States Court of Appeals for the Ninth Circuit in *City of Springfield v. Washington Public Power Supply System, et al.*, 752 F.2d 1423 (9th Cir. 1985), *cert. denied*, 474 U.S. 1055 (1986);

(l) A certified copy of Energy Northwest Resolution No. 775 adopted on December 3, 1975, as amended and supplemented (the "Prior Lien Resolution"); and

(m) Such other documents, agreements, proceedings, pleadings, court decisions, statutes, matters and questions of law as we deemed necessary or appropriate for the purposes hereof.

Based upon the foregoing and in reliance thereon, we are of the opinion that each of the Net Billing Agreements and the Assignment Agreement is a legal and valid obligation of each of the parties thereto, enforceable against such parties in accordance with its terms, and that the 1989 Letter Agreement is a legal and valid obligation of Energy Northwest, enforceable against Energy Northwest in accordance with their terms; provided, however, that the enforceability of all such Agreements may be subject to (i) the valid exercise of sovereign state police powers; (ii) the limitations on legal remedies against the United States of America under Federal law now or hereafter enacted; (iii) applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws or enactments now or hereafter enacted by any state or the Federal government affecting the enforcement of creditors' rights; and (iv) the unavailability of equitable remedies or the application of general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

In rendering this opinion, (a) we have assumed with your consent (1) the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the legal capacity of natural persons, and the conformity to the originals of all documents submitted to us as copies; (2) the truth and accuracy of all representations set forth in the Certificates of the Chairman of the Executive Board and the Administrator referred to above in paragraphs (e) and (f); and (3) the correctness, as of its date and the date hereof, of each Local Counsel Opinion referred to above in paragraph (h) as to (A) the due incorporation and valid organization and existence as a municipality, publicly-owned utility or rural electric cooperative, as applicable, of the WPPSS No. 3 Project Participant represented by such counsel, (B) the due authorization by all requisite governmental or corporate action, as the case may be, and, except to the extent such matters are addressed in the opinions of Lindsay, Hart, Neil & Weigler referred to above in paragraph (j), the due execution and delivery of the Net Billing Agreement to which such Participant is a party by such Participant and (C) no violation of or conflict with the provisions of applicable law; (b) we have, with your consent, relied on (1) the opinion of Acting General Counsel to Bonneville referred to above in paragraph (j) as to the matters described therein and (2) the opinion of Lindsay, Hart, Neil & Weigler referred to above in paragraph (k) as to the matters described therein.

Very truly yours,

**Upon delivery of the Series 2001-B Bonds
Special Tax Counsel proposes to render
an opinion in substantially the following form.**

Energy Northwest
P.O. Box 968
Richland, Washington 99352

Energy Northwest

\$23,600,000 Project No. 1 Refunding Electric Revenue Bonds, Series 2001-B

\$48,000,000 Columbia Generating Station Refunding Electric Revenue Bonds, Series 2001-B

\$25,675,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2001-B

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance by Energy Northwest (formerly known as the Washington Public Power Supply System), a municipal corporation and a joint operating agency of the State of Washington, of \$23,600,000 aggregate principal amount of Project No. 1 Refunding Electric Revenue Bonds, Series 2001-B (the "Project 1 2001-B Bonds"), \$48,000,000 aggregate principal amount of Columbia Generating Station Refunding Electric Revenue Bonds, Series 2001-B (the "Columbia 2001-B Bonds"), and \$25,675,000 aggregate principal amount of Project No. 3 Refunding Electric Revenue Bonds, Series 2001-B (the "Project 3 2001-B Bonds" and together with the Project 1 2001-B Bonds and the Columbia 2001-B Bonds, the "Series 2001-B Bonds"). The Project 1 2001-B Bonds are being issued pursuant to Chapter 43.52 of the Revised Code of Washington, as amended (the "Act"), and Resolution No. 835, adopted by Energy Northwest on November 23, 1993, as amended and supplemented, and a supplemental resolution adopted on April 19, 2001 (the "Project 1 Resolution"). The Columbia 2001-B Bonds are being issued pursuant to the Act and Resolution No. 1042, adopted by Energy Northwest on October 23, 1997, as amended and supplemented, and a supplemental resolution adopted on April 19, 2001 (the "Columbia Resolution"). The Project 3 2001-B Bonds are being issued pursuant to the Act and Resolution No. 838, adopted by Energy Northwest on November 23, 1993, as amended and supplemented, and a supplemental resolution adopted on April 19, 2001 (the "Project 3 Resolution" and together with the Project 1 Resolution and the Columbia Resolution, the "Resolutions"). The Series 2001-B Bonds are being issued for the purpose of refunding certain outstanding bonds issued by Energy Northwest.

In such connection, we have reviewed certified copies of the Resolutions; the Tax Matters Certificate executed and delivered by Energy Northwest on the date hereof and the Tax Matters Certificate executed and delivered on the date hereof by the Bonneville Power Administration (collectively, the "Tax Certificates"); the opinion of Willkie Farr & Gallagher, as Bond Counsel; certificates of Energy Northwest, the Bonneville Power Administration and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Resolutions, the Tax Certificates and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Series 2001-B Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Series 2001-B Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based upon an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series 2001-B Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions and the Tax Certificates, including (without limitation) covenants and agreements compliance with which is necessary to assure that

future actions, omissions or events will not cause interest on the Series 2001-B Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2001-B Bonds, the Resolutions and the Tax Certificates and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against bodies politic and corporate of the State of Washington and against the Bonneville Power Administration. Finally, as Special Tax Counsel we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement of Energy Northwest, dated April 19, 2001, relating to the Series 2001-B Bonds or other offering material relating to the Series 2001-B Bonds and express no opinion with respect thereto.

We have relied with your consent on the opinion of Willkie Farr & Gallagher, Bond Counsel, with respect to the validity of the Series 2001-B Bonds and the due authorization and issuance of the Series 2001-B Bonds.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that interest on the Series 2001-B Bonds is excluded from gross income for federal income tax purposes under Title XIII of the Tax Reform Act of 1986, as amended, and Section 103 of the Internal Revenue Code of 1954, as amended. Interest on the Series 2001-B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income.

The amount by which the respective issue price of the Series 2001-B Bonds of any maturity is less than the amount to be paid at maturity of such Series 2001-B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2001-B Bonds) constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 2001-B Bonds and is excluded from gross income for federal income tax purposes to the same extent as set forth in the preceding paragraph hereof. For this purpose, the issue price of each maturity of the Series 2001-B Bonds is the first price at which a substantial amount of the Series 2001-B Bonds of such maturity is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

Except as expressly stated herein, we express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2001-B Bonds.

Faithfully yours,

AUCTION RATE CERTIFICATES SPECIAL PROVISIONS

Appendix C is composed of two sections: (1) Attachment A, which summarizes Exhibit C to the Supplemental Resolution; and (2) Attachment B, which summarizes the Settlement Procedures contained in the Broker-Dealer Agreement between The Bank of New York, as Auction Agent and UBS PaineWebber Inc., as Broker-Dealer.

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ATTACHMENT A

Section 1.1. Certain Definitions. In addition to the terms defined elsewhere in the Resolution, including the Supplemental Resolution, the following terms shall have the following meanings with respect to the Series 2001-B Bonds unless the context otherwise requires:

“AA Financial Commercial Paper Rate”, on any date of determination, shall mean (a) for Auction Periods of 35 days or less, the interest equivalent of commercial paper having a maturity of 30 days, (b) for Auction Periods greater than 35 days and less than 75 days, the interest equivalent of commercial paper having a maturity of 60 days, (c) for Auction Periods greater than 75 days and less than 105 days, the interest equivalent of commercial paper having a maturity of 90 days; as each such rate is published on the Business Day prior to such date by the Board of Governors of the Federal Reserve System on its World Wide Web site <http://www.federalreserve.gov/releases/cp/histrates.txt>, or any successor publication (“H.15(519)”) under the caption “AA financial.” In the event that such publication has not been published in a timely manner, the “AA” Financial Commercial Paper Rate shall be calculated by the Market Agent, and shall be the bond equivalent yield of the arithmetic mean of the offered rates as of 11:00 a.m., New York City time, on the determination date of three leading dealers of U.S. dollar commercial paper in the City of New York (which may include UBS PaineWebber Inc.) selected by the Market Agent, for U.S. dollar commercial paper having a maturity of 30, 60 or 90 days, as applicable, placed for financial issuers whose bond rating is “AA” or the equivalent, from a nationally recognized securities rating agency; provided, however, that if the dealers selected as aforesaid by the Market Agent are not quoting as mentioned in this sentence (and if the Market Agent, in its discretion, determines that such quotations can not be obtained from any three leading dealers of U.S. dollar commercial paper in the City of New York) such rate shall be the same rate as in effect for the immediately preceding Interest Payment Period. For purposes of this definition, the “interest equivalent” of a rate stated on a discount basis (a “discount rate”) for commercial paper of a given day's maturity shall be equal to the product of (A) 100 times (B) the discount rate times (C) the quotient (rounded upwards to the next higher one-thousandth (.001) of 1%) of (x) the applicable number of days in a year (365 or 366) divided by (y) the difference between (1) 360 and (2) the product of the discount rate (expressed in decimals) times the applicable number of days in which such commercial paper matures.

“After-Tax Equivalent Rate” on any date of determination shall mean the interest rate per annum equal to the product of:

- i. the “AA” Financial Commercial Paper Rate on such date; and
- ii. 1.00 minus the Statutory Corporate Tax Rate on such date.

“All Hold Rate” on any date of determination shall mean the interest rate per annum equal to 90% (as such percentage may be adjusted as described in *Section 1.12* of this *Appendix C*) of the lesser on such date of:

- i. the After-Tax Equivalent Rate on such date; and
- ii. the Kenny Index on such date;

rounded to the nearest one thousandth (.001) of 1%; provided that in no event shall the All Hold Rate be more than the Maximum ARC Rate or less than zero.

“Applicable ARCs Rate” shall have the meaning set forth in *Section 1.4* of this *Appendix C*.

“Applicable Number of Business Days” means the greater of two Business Days or one Business Day plus the number of Business Days by which the Auction Date precedes the first day of the next succeeding Interest Period.

“Applicable Percentage,” on any date of determination, shall mean the percentage determined (as such percentage may be adjusted as described in *Section 1.12* of this *Appendix C*) based on the lower of the prevailing credit ratings on the related Series of ARCs in effect at the close of business on the Business Day immediately preceding such date, as set forth below:

| <u>Credit Ratings</u> | | |
|------------------------------|----------------------------------|--------------------------|
| Moody's Investors Service | Standard & Poor's Corporation | Applicable Percentage |
| “Aaa” | “AAA” | 175% |
| “Aa3” to “Aa1” | “AA-” to “AA+” | 175% |

| | | |
|------------------|------------------|------|
| “A3” to “A1” | “A-” to “A+” | 175% |
| “Baa3” to “Baa1” | “BBB-” to “BBB+” | 200% |
| Below “Baa3” | Below “BBB-” | 265% |

provided, that, in the event that the related Series of ARCs are not rated by any nationally recognized rating agency, the Applicable Percentage shall be 265%, and, provided further, that if a Payment Default shall have occurred and be continuing, the Applicable Percentage shall be 265%. For purposes of this definition, Standard & Poor's Corporation's rating categories of “AAA,” “AA,” “A” and “BBB,” and Moody's Investors Service's rating categories of “Aaa,” “Aa,” “A” and “Baa,” refer to and include the respective rating categories correlative thereto if either or both of such rating agencies have changed or modified their generic rating categories or if Moody's Investors Service or Standard & Poor's Corporation no longer rates the ARCs and have been replaced.

“ARCs” shall mean the Series 2001-B Bonds outstanding as Auction Rate Certificates.

“Auction” shall mean each periodic implementation of the Auction Procedures.

“Auction Agency Agreement” shall mean the Auction Agency Agreement relating to the ARCs between the Trustee and the Auction Agent and any similar agreement with a successor Auction Agent or successor Trustee, in each case as from time to time amended or supplemented.

“Auction Agent” shall mean any person appointed as such pursuant to *Section 1.14* of this *Appendix C*.

“Auction Agent Fee” shall mean the fee to be paid to the Auction Agent for the services rendered by it under the Auction Agency Agreement and the Broker-Dealer Agreement.

“Auction Date” shall mean, for each Series or Subseries, the Initial Auction Date and thereafter, in each instance, the Business Day immediately preceding the first day of each Interest Period, other than:

- i. each Interest Period commencing after the ownership of the ARCs of such Series or Subseries is no longer maintained in book entry form by the Depository;
- ii. each Interest Period commencing after the occurrence and during the continuance of a Payment Default; or
- iii. any Interest Period commencing less than the Applicable Number of Business Days after the cure or waiver of a Payment Default.

Notwithstanding the foregoing, the Auction Date for one or more Auction Periods may be changed as described in *Section 1.17* of this *Appendix C*.

“Auction Period” means, with respect to each Series or Subseries, the Interest Period applicable thereto as the same may be changed as described in *Section 1.17* of this *Appendix C*.

“Auction Procedures” shall mean the procedures set forth in *Section 1.6* of this *Appendix C*.

“Auction Rate” shall mean the rate of interest per annum on any Auction Date that results from the implementation of the Auction Procedures, and determined as described in *Section 1.6(c)(ii)* of this *Appendix C*.

“Authorized Denominations” shall mean \$25,000 and any integral multiple thereof.

“Available ARCs” shall have the meaning set forth in *Section 1.6(c)(i)(A)* of this *Appendix C*.

“Bid” shall have the meaning set forth in *Section 1.6(a)(i)* of this *Appendix C*.

“Bidder” shall have the meaning set forth in *Section 1.6(a)(i)* of this *Appendix C*.

“Broker-Dealer” shall mean UBS PaineWebber Inc. or any other broker or dealer (each as defined in the Securities Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures that (i) is a Participant (or an affiliate of a Participant), (ii) has a capital surplus of at least \$50,000,000, (iii) has been selected by Energy Northwest with the approval of the Market Agent (which approval shall not be unreasonably withheld) and (iv) has entered into a Broker-Dealer Agreement that remains effective.

"Broker-Dealer Agreement" shall mean the Broker-Dealer Agreement relating to the ARCs between the Auction Agent and the Broker-Dealer and each other agreement between the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented.

"Broker-Dealer Fee" shall mean the fee to be paid to the Broker-Dealers for the services rendered by them under the Broker-Dealer Agreement.

"Business Day" shall mean, for purposes of any Auction, any day other than (i) April 14, April 15, December 30, December 31, and such other dates as may be agreed to in writing by the Market Agent, the Auction Agent, the Broker-Dealer and Energy Northwest, or (ii) a Saturday, Sunday, holiday or day on which banks located in the city of New York, New York, or the New York Stock Exchange, the Trustee or the Auction Agent, are authorized or permitted by law or executive order to close.

"Change of Preference Law" shall mean, with respect to any Holder of ARCs, any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury after the date hereof which (i) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (ii) imposes or would impose or reduces or would reduce or increases or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest earned by any holder of bonds the interest on which is excluded from federal gross income under section 103 of the Code.

"Commercial Paper Dealers" means UBS PaineWebber Inc. or its successor or any other commercial paper dealer appointed by Energy Northwest.

"Default Rate" on any date of determination shall mean the interest rate per annum equal to the lesser of (i) the Applicable Percentage of the Kenny Index and (ii) the Maximum Interest Rate.

"Existing Holder" means (a) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the Existing Holder registry at the close of business on the Business Day immediately preceding the Auction Date for such Auction and (b) with respect to and for the purpose of dealing with the Broker-Dealer in connection with an Auction, a Person who is a beneficial owner of ARCs.

"Holder" as used in this *Appendix C* shall mean the beneficial owner of any ARCs.

"Hold Order" shall have the meaning set forth in Section 1.6(a)(i) of this *Appendix C*.

"Initial Auction Date" shall mean, (i) for the Project 1 2001-B Bonds, June 25, 2008, (ii) for the Columbia 2001-B Bonds June 30, 2009, and (iii) for the Subseries of Project 3 2001-B Bonds; (A) June 25, 2003, with respect to Subseries 2001-B-3-1, (B) June 30, 2004, with respect to Subseries 2001-B-3-2, and (C) June 30, 2010, with respect to Subseries 2001-B-3-3.

"Initial Auction Period" shall mean the period commencing on the last day of each Initial Interest Period and ending (i) for the Project 1 2001-B Bonds, August 6, 2008, (ii) for the Columbia 2001-B Bonds, August 5, 2009, and (iii) for the Subseries of Project 3 2001-B Bonds, (A) with respect to Subseries 2001-B-3-1, August 6, 2003 (B) with respect to Subseries 2001-B-3-2 Bonds, August 4, 2004 and (C) with respect to Subseries 2001-B-3-3 Bonds, August 4, 2010.

"Initial Interest Payment Date" shall mean with respect to each Series or Subseries, July 1, 2001.

"Initial Interest Period" shall mean the period commencing on the date of delivery of the Series 2001-B Bonds and ending (i) for the Project 1 2001-B Bonds, on July 1, 2008, (ii) for the Columbia 2001-B Bonds, on July 1, 2009 and (iii) for the Subseries 2001-B-3-1 Bonds, on July 1, 2003, for the Subseries 2001-B-3-2 Bonds, on July 1, 2004, and for the Subseries 2001-B-3-3 Bonds, on July 1, 2010.

"Interest Amount" shall mean the amount of interest distributable in respect of each \$25,000 in principal amount (taken, without rounding, to .0001 of one cent) of ARCs for any Interest Period or part thereof, as calculated in accordance with Section 1.10 of this *Appendix C*.

"Interest Payment Date" shall mean the Initial Interest Payment Date and thereafter with respect to each Series and Subseries on each January 1 and July 1 during an Initial Interest Period, and after each Initial Interest Period the Business Day following the last day of each Auction Period, except as changed as described in Section 1.17(a) of this *Appendix C*, and in all cases on the maturity of such Series 2001-B Bond, whether at stated maturity, a Redemption Date, or otherwise.

"Interest Period" means with respect to each Series or Subseries of ARCs, unless otherwise changed as described in Section 1.17(a) of this *Appendix C*, the Initial Interest Period for such Series or Subseries, the Initial Auction Period for such Series

or Subseries and each successive period of generally 35 days thereafter, commencing on a Thursday (or the day following the last day of the prior Interest Period, if the prior Interest Period does not end on a Wednesday) and ending on a Wednesday (unless the day following such Wednesday is not a Business Day, in which case on the next succeeding day that is followed by a Business Day).

“**Kenny Index**” shall mean the index most recently made available by Kenny S&P Evaluation Services (“Kenny”) or any successor thereto (the “Indexing Agent”) based upon 30-day yield evaluations at par of securities, the interest on which is excluded from gross income for federal income tax purposes under the Code, of not less than five “Intermediate Grade” component issuers selected by the Indexing Agent which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by the Indexing Agent in its discretion. The securities on which the Kenny Index is based shall not include any securities the interest on which is subject to a “minimum tax” or similar tax under the Code, unless all such securities are subject to such tax. In the event that Kenny no longer publishes an index satisfying the above definition of the Kenny Index or the Market Agent reasonably concludes that the Kenny Index will not be announced in a timely manner, then the Market Agent shall announce a rate based upon the same criteria used by Kenny to determine the Kenny Index and the rate announced by the Market Agent for each Auction Date thereafter shall be used in lieu of the Kenny Index for each Auction Date.

“**Market Agent**” shall mean the market agent or market agents appointed is described in *Section 1.13* of this *Appendix C*, and its or their successors or assigns.

“**Market Agent Agreement**” shall mean the Market Agent Agreement relating to the ARCs, between the Trustee and the Market Agent, and any similar agreement with a successor Market Agent, in each case as from time to time amended or supplemented.

“**Maximum Interest Rate**” for purposes of the Supplemental Resolution shall mean the lesser of (a) 12% per annum or (b) the maximum rate of interest permitted by the laws of the State of Washington.

“**Maximum ARC Rate**,” on any date of determination, shall mean the interest rate per annum equal to the lesser of:

(a) the Applicable Percentage of the higher of (i) the After-Tax Equivalent Rate on such date and (ii) the Kenny Index on such date; and

(b) the Maximum Interest Rate; rounded to the nearest one thousandth (.001) of 1%.

“**Order**” shall have the meaning set forth in *Section 1.6(a)* of this *Appendix C*.

“**Participant**” shall mean a member of or participant in, the Depository.

“**Payment Default**” shall mean failure to make payment of interest on, premium, if any, and principal of the ARCs when due.

“**Person**” means and includes, unless otherwise specified, an individual, corporation, company, trust, estate, partnership or association.

“**Potential Holder**” means any Person (including an Existing Holder that is (a) a Broker-Dealer when dealing with the Auction Agent and (b) a potential beneficial owner when dealing with a Broker-Dealer) who may be interested in acquiring ARCs (or, in the case of an Existing Holder thereof, an additional principal amount of ARCs).

“**Record Date**” shall mean, with respect to any Series or Subseries of 2001-B Bonds during the Initial Interest Period, December 15 and June 15 and thereafter, so long as Interest Payment Dates are specified to occur at the end of each Auction Period, as provided in the Supplemental Resolution, the Applicable Number of Business Days immediately preceding each Interest Payment Date.

“**Redemption Date**,” when used with respect to any ARCs to be redeemed, shall mean the date fixed for such redemption.

“**Registrar**” shall mean the Trustee or any separate registrar appointed under the Resolution with respect to the Series 2001-B Bonds .

“**SEC**” shall mean the Securities and Exchange Commission.

“**Securities Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended.

“**Sell Order**” shall have the meaning set forth in *Section 1.6(a)* of this *Appendix C*.

“**Statutory Corporate Tax Rate**” shall mean, as of any date of determination, the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in section 11 of the Code or any successor section without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year.

“**Submission Deadline**” shall mean 1:00 p.m., New York City time, on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

“**Submitted Bid**” shall have the meaning set forth in *Section 1.6(c)(i)* of this *Appendix C*.

“**Submitted Hold Order**” shall have the meaning set forth in *Section 1.6(c)(i)* of this *Appendix C*.

“**Submitted Order**” shall have the meaning set forth in *Section 1.6(c)(i)* of this *Appendix C*.

“**Submitted Sell Order**” shall have the meaning set forth in *Section 1.6(c)(i)* of this *Appendix C*.

“**Sufficient Clearing Bids**” shall have the meaning set forth in *Section 1.6(c)(i)(B)* of this *Appendix C*.

“**Winning Bid Rate**” shall have the meaning set forth in *Section 1.6(c)(i)(C)* of this *Appendix C*.

Section 1.2. Description of ARCs; Global Form; Depository.

(a) The Series 2001-B Bonds shall be issued as ARCs.

(b) Except as otherwise provided in this *Section 1.2*, the ARCs, in the form of one or more securities, shall be registered in the name of the Depository, and ownership thereof shall be maintained in book-entry form by the Depository for the account of the Participants thereof. Initially, the ARCs shall be registered in the name of Cede & Co., as the nominee of DTC. Except as provided in subsection (c) of this *Section 1.2*, the ARCs may be transferred, in whole but not in part, only to the Depository, or to a successor to DTC selected or approved by Energy Northwest or to a nominee of such successor Depository.

(i) Neither Energy Northwest, the Registrar, nor any of their respective affiliates shall have any responsibility or obligation with respect to:

(A) the accuracy of the records of the Depository or any Participant with respect to any beneficial ownership interest in the ARCs;

(B) the delivery to any Participant, any beneficial owner of the ARCs or any other person, other than the Depository, of any notice with respect to the ARCs; or

(C) the payment to any Participant, any beneficial owner of the ARCs or any other person, other than the Depository, of any amount with respect to the principal, premium, if any, or interest on the ARCs.

So long as the certificates for the ARCs are not issued as described in subsection (c) of this *Section 1.2*, Energy Northwest, and the Registrar may treat the Depository as, and deem the Depository to be, the absolute owner of the ARCs for all purposes whatsoever, including without limitation:

- (1) the payment of principal, premium, if any, and interest on the ARCs;
- (2) giving notices of redemption and other matters with respect to the ARCs;
- (3) registering transfer with respect to the ARCs; and
- (4) the selection of ARCs for redemption.

(c) If at any time the Market Agent (with the prior written consent of MBIA) has notified Energy Northwest that the ARCs (or any Subseries of ARCs) should not be maintained in book-entry form or the Depository notifies Energy Northwest that it is unwilling or unable to continue as Depository with respect to the ARCs, or if at any time the Depository shall no longer be registered

or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by Energy Northwest within 90 days after Energy Northwest receives notice or becomes aware of such condition, as the case may be, then provisions described in this *Section 1.2* shall no longer be applicable and Energy Northwest shall execute and the Registrar shall authenticate and deliver certificates representing the ARCs as provided below. Certificates for the ARCs issued in exchange for a global certificate pursuant to this subsection (c) shall be registered in such names and Authorized Denominations as the Depository, pursuant to instructions from the Participants or otherwise, shall instruct Energy Northwest and the Registrar. The Registrar shall deliver such certificates representing the ARCs to the persons in whose names such ARCs are so registered on the Business Day immediately preceding the first day of an Interest Period.

Section 1.3. Limitations on Transfer. So long as the ownership of the ARCs is maintained in book-entry form by the Depository, an Existing Holder may sell, transfer or otherwise dispose of its beneficial interest in ARCs only pursuant to a Bid or Sell Order placed in any Auction or to or through a Broker-Dealer; provided that in the case of all transfers other than pursuant to Auctions such Existing Holder, its Broker-Dealer or its Participant advises the Auction Agent of such transfer.

Section 1.4 Interest on ARCs.

(a) Interest on the ARCs shall accrue for each Interest Period and shall be payable in arrears, on each Interest Payment Date.

(b) During each Initial Interest Period, the rate of interest on the related Series or Subseries of ARCs shall be as shown on the inside cover of the 2001-B Official Statement. After the Initial Interest Period, the rate of interest on the related Series or Subseries of ARCs for each Interest Period shall be the Auction Rate; provided that if, on any Auction Date, an Auction is not held for any reason, then the rate of interest for the next succeeding Interest Period shall equal the Maximum ARC Rate on such Auction Date. Notwithstanding the foregoing, if:

(i) the ownership of a Series or Subseries of ARCs is no longer maintained in book-entry form by the Depository, the rate of interest on such Series or Subseries of ARCs for any Interest Period commencing after the delivery of certificates representing ARCs as described in *Section 1.2(c)* of this *Appendix C* shall equal the Maximum ARC Rate on the Business Day immediately preceding the first day of such Interest Period; or

(ii) if a Payment Default occurs, Auctions will be suspended and the Applicable ARCs Rate (as defined below) for the Interest Period commencing on or after such Payment Default and for each Interest Period thereafter to and including the Interest Period, if any, during which, or commencing less than two Business Days after, such Payment Default is cured will equal the Default Rate.

The rate per annum at which interest is payable on a Series or Subseries of ARCs for any Interest Period is herein referred to as the "Applicable ARCs Rate." Notwithstanding anything herein to the contrary, the Applicable ARCs Rate cannot exceed the Maximum ARC Rate.

(c) Notwithstanding anything herein to the contrary, if any ARC or portion thereof has been selected for redemption during the next succeeding Interest Period, said ARC or portion thereof, will not be included in the Auction preceding such Redemption Date, and said ARC or portion thereof, will continue to bear interest until the Redemption Date at the rate established for the Interest Period prior to said Auction.

Section 1.5 Payments. So long as the ARCs are registered in the name of the Depository or the nominee thereof, payment of interest (other than at maturity) and premium, if any, on, and of principal at redemption of, the ARCs shall be made to the Depository by wire transfer provided proper wire instructions are received. Each holder of ARCs, by such Holder's purchase of ARCs, appoints the Trustee as its agent in connection with the payment by such Holder of its share, if any, of the amounts payable to the Auction Agent and the Broker-Dealers as described in *Section 1.8(a)* of this *Appendix C*.

Section 1.6 Auction Procedures. Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding (i) each Interest Period commencing after the ownership of such Series of ARCs is no longer maintained in book-entry form by the Depository; (ii) each Interest Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) any Interest Period commencing less than two Business Days after the cure of a Payment Default). If there is an Auction Agent on such Auction Date, Auctions shall be conducted (for the related Subseries of ARCs) in the following manner:

(a) Orders by Existing Holders and Potential Holders.

(i) Except as provided in clause (C) below, prior to the Submission Deadline on each Auction Date for a Series or Subseries:

(A) each Existing Holder of ARCs of such Series or Subseries may submit to a Broker-Dealer information as to:

(1) the principal amount of Outstanding ARCs of such Series or Subseries, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding Interest Period;

(2) the principal amount of Outstanding ARCs of such Series or Subseries, if any, which such Existing Holder offers to sell if the Auction Rate for the next succeeding Interest Period shall be less than the rate per annum specified by such Existing Holder; and/or

(3) the principal amount of Outstanding ARCs of such Series or Subseries, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Auction Rate for the next succeeding Interest Period; and

(B) one or more Broker-Dealers may contact Potential Holders to determine the principal amount of ARCs of such Subseries which each such Potential Holder offers to purchase if the Auction Rate for the next succeeding Interest Period shall not be less than the rate per annum specified by such Potential Holder.

(C) Notwithstanding the foregoing, prior to the Submission Deadline on the Initial Auction Date for a Series or Subseries, (1) each Existing Holder of ARCs of such Series or Subseries will be deemed to have submitted to a Broker-Dealer information as to the principal amount of Outstanding ARCs of such Series or Subseries held by such Existing Holder and that such Existing Holder offers to sell all of such Outstanding ARCs without regard to Auction Rate for the Initial Auction Period for such Series or Subseries, *unless*, (2) prior to the Submission Deadline, such Existing Holder shall have submitted to a Broker-Dealer the information described in paragraph (A) (1) above.

For the purposes hereof, the communication to a Broker-Dealer of information referred to in clause (A)(1), (A)(2), (A)(3), (B) or (C) of this paragraph (a) is hereinafter referred to as an "Order" and collectively as "Orders" and each Existing Holder and each Potential Holder placing an Order is hereinafter referred to as a "Bidder" and collectively as "Bidders", an Order containing the information referred to in (x) clause (A)(1) or (C)(2) of this paragraph (a) is hereinafter referred to as a "Hold Order" and collectively as "Hold Orders," (y) clause (A)(2) or (B) of this paragraph (i) is hereinafter referred to as a "Bid" and collectively as "Bids" and (z) clause (A)(3) or (C)(1) of this paragraph (i) is hereinafter referred to as a "Sell Order" and collectively as "Sell Orders."

(ii) (A) Subject to the provisions described in *Section 1.6(b)* of this *Appendix C*, a Bid by an Existing Holder shall constitute an irrevocable offer to sell:

(1) the principal amount of Outstanding ARCs specified in such Bid if the Auction Rate determined as provided in this *Section 1.6* of this *Appendix C* shall be less than the rate specified in such Bid; or

(2) such principal amount or a lesser principal amount of Outstanding ARCs to be determined as set forth in *Section 1.6(d)(i)(D)* of this *Appendix C*, if the Auction Rate determined as provided in this *Section 1.6* shall be equal to the rate specified in such Bid; or

(3) such principal amount or a lesser principal amount of Outstanding ARCs to be determined as set forth in *Section 1.6(d)(ii)(C)* of this *Appendix C* if the rate specified shall be higher than the Maximum ARC Rate and Sufficient Clearing Bids have not been made.

(B) Subject to the provisions of *Section 1.6(b)* of this *Appendix C*, a Sell Order by an Existing Holder shall constitute an irrevocable offer to sell:

(1) the principal amount of Outstanding ARCs specified in such Sell Order;
or

(2) such principal amount or a lesser principal amount of Outstanding ARCs as set forth in *Section 1.6(d)(ii)(C)* of this *Appendix C* if Sufficient Clearing Bids have not been made.

(C) Subject to the provisions of Section 1.6(b) of this *Appendix C*, a Bid by a Potential Holder shall constitute an irrevocable offer to purchase:

(1) the principal amount of Outstanding ARCs specified in such Bid if the Auction Rate determined as provided in this Section 1.6 of this *Appendix C* shall be higher than the rate specified in such Bid; or

(2) such principal amount or a lesser principal amount of Outstanding ARCs as set forth in Section 1.6(d)(i)(E) of this *Appendix C* if the Auction Rate determined as provided in this Section 1.6 of this *Appendix C* shall be equal to the rate specified in such Bid.

(b) Submission by Broker-Dealer to Auction Agent.

(i) Each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and shall specify with respect to each such Order:

(A) the name of the Bidder placing such Order;

(B) the aggregate principal amount of ARCs that are the subject of such Order;

(C) to the extent that such Bidder is an Existing Holder:

(1) the principal amount of ARCs, if any, subject to any Hold Order placed by such Existing Holder;

(2) the principal amount of ARCs, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(3) the principal amount of ARCs, if any, subject to any Sell Order placed by such Existing Holder; and

(D) to the extent such Bidder is a Potential Holder, the rate and amount specified in such Potential Holder's Bid.

(ii) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth (.001) of 1%.

(iii) If an Order or Orders covering all Outstanding ARCs held by any Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of Outstanding ARCs held by such Existing Holder and not subject to an Order submitted to the Auction Agent, except that the Auction Agent shall deem an offer to sell to have been submitted on behalf of such Existing Holder for the Initial Auction Period (as described in Section 1.6(a)(i)(C) of this *Appendix C*).

(vi) (iv) None of Energy Northwest, the Trustee nor the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

(v) If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Outstanding ARCs held by such Existing Holder, such Orders shall be considered valid as follows and in the following order of priority:

(A) all Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of ARCs held by such Existing Holder, and if the aggregate principal amount of ARCs subject to such Hold Orders exceeds the aggregate principal amount of ARCs held by such Existing Holder, the aggregate principal amount of ARCs subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding ARCs held by such Existing Holder;

(B) (1) any Bid shall be considered valid up to and including the excess of the principal amount of Outstanding ARCs held by such Existing Holder over the aggregate principal amount of ARCs subject to any Hold Orders referred to in clause (A) of this paragraph (v);

(2) subject to subclause (1) of this clause (B), if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of Outstanding ARCs subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess and the stated amount of ARCs subject to each Bid with the same rate shall be reduced pro rata to cover the stated amount of ARCs equal to such excess;

(3) subject to subclauses (1) and (2) of this clause (B), if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(4) in any such event, the aggregate principal amount of Outstanding ARCs, if any, subject to Bids not valid under this clause (B) shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(C) all Sell Orders shall be considered valid up to and including the excess of the principal amount of Outstanding ARCs held by such Existing Holder over the aggregate principal amount of ARCs subject to valid Hold Orders referred to in clause (A) of this paragraph (v) and valid Bids referred to in clause (B) of this paragraph (v).

(vi) If more than one Bid for ARCs is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and principal amount therein specified.

(vii) Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of ARCs not equal to an Authorized Denomination therefor shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of ARCs not equal to an Authorized Denomination therefor shall be rejected.

(viii) Any Bid submitted by an Existing Holder or a Potential Holder specifying a rate lower than the All Hold Rate shall be treated as a Bid specifying the All Hold Rate and any such Bid shall be considered as valid and shall be selected in the ascending order of the respective rates in the Submitted Bids.

(ix) An Existing Holder that offers to purchase additional ARCs is, for purposes of such offer, treated as a Potential Holder.

(x) Any Bid specifying a rate higher than the Maximum ARC Rate will (i) be treated as a Sell Order is submitted by an Existing Holder and (ii) not be accepted if submitted by a Potential Holder.

(c) Determination of Sufficient Clearing Bids, Auction Rate and Winning Bid Rate.

(i) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to individually as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order" and collectively as "Submitted Hold Orders," "Submitted Bids" or "Submitted Sell Orders," as the case may be, or as "Submitted Orders") and shall determine:

(A) the excess of the total principal amount of Outstanding ARCs over the sum of the aggregate principal amount of Outstanding ARCs subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available ARCs"); and

(B) from such Submitted Orders whether:

(1) the aggregate principal amount of Outstanding ARCs subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum ARC Rate, exceeds or is equal to the sum of:

(2) the aggregate principal amount of Outstanding ARCs subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum ARC Rate; and

(3) the aggregate principal amount of Outstanding ARCs subject to Submitted Sell Orders;

(in the event such excess or such equality exists, other than because the sum of the principal amounts of ARCs in subclauses (1) and (3) above is zero because all of the Outstanding ARCs are subject to Submitted Hold Orders, such Submitted Bids in subclause (1) above being hereinafter referred to collectively as "Sufficient Clearing Bids"); and

(C) if Sufficient Clearing Bids have been made, the lowest rate specified in such Submitted Bids (which shall be the "Winning Bid Rate") such that if:

(1) (aa) each such Submitted Bid from Existing Holders specifying such lowest rate and (bb) all other Submitted Bids from Existing Holders specifying lower rates were rejected, thus entitling such Existing Holders to continue to hold the principal amount of ARCs subject to such Submitted Bids; and

(2) (aa) each such Submitted Bid from Potential Holders specifying such lowest rate and (bb) all other Submitted Bids from Potential Holders specifying lower rates were accepted;

the result would be that such Existing Holders described in subclause (1) above would continue to hold an aggregate principal amount of Outstanding ARCs which, when added to the aggregate principal amount of Outstanding ARCs to be purchased by such Potential Holders described in subclause (2) above, would equal not less than the Available ARCs.

(i) Promptly after the Auction Agent has made the determinations pursuant to paragraph (i) of this subsection (c), the Auction Agent shall advise the Trustee of the Maximum ARC Rate and the All Hold Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding Interest Period (the "Auction Rate") as follows:

(A) if Sufficient Clearing Bids have been made, that the Auction Rate for the next succeeding Interest Period shall be equal to the Winning Bid Rate so determined;

(B) if Sufficient Clearing Bids have not been made (other than because all of the Outstanding ARCs are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Interest Period shall be equal to the Maximum ARC Rate; or

(C) if all outstanding ARCs are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding Interest Period shall be equal to the All Hold Rate.

(d) Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of ARCs.

Existing Holders shall continue to hold the principal amount of ARCs that are subject to Submitted Hold Orders, and, based on the determinations made as described in *Section 1.6(c)(i)* of this *Appendix C*, Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

(i) If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the provisions of paragraph (iv) of this subsection (d), Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of ARCs subject to such Submitted Bids;

(B) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of ARCs subject to such Submitted Bids;

(C) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring such Potential Holder to purchase the aggregate principal amount of ARCs subject to such Submitted Bids;

(D) each Existing Holders' Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of ARCs subject to such Submitted Bid, unless the aggregate principal amount of Outstanding ARCs subject to all such Submitted Bids shall be greater than the principal amount of ARCs (the "remaining principal amount") equal to the excess of the Available ARCs over the aggregate principal amount of ARCs subject to Submitted Bids described in clauses (B) and (C) of this paragraph (i), in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing Holder shall be entitled to continue to hold the principal amount of ARCs subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of ARCs obtained by multiplying the remaining principal amount by a fraction the numerator of which shall be the principal amount of Outstanding ARCs held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal amount of Outstanding ARCs subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(E) each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of ARCs obtained by multiplying the excess of the aggregate principal amount of Available ARCs over the aggregate principal amount of ARCs subject to Submitted Bids described in clauses (B), (C) and (D) of this paragraph (i) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding ARCs subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of Outstanding ARCs subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the Outstanding ARCs are subject to Submitted Hold Orders), subject to the provisions of paragraph (iv) of this subsection (d), Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum ARC Rate shall be rejected, thus entitling such Existing Holders to continue to hold the aggregate principal amount of ARCs subject to such Submitted Bids;

(B) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum ARC Rate shall be accepted, thus requiring each Potential Holder to purchase the aggregate principal amount of ARCs subject to such Submitted Bids; and

(C) each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum ARC Rate and the Submitted Sell Order of each Existing Holder shall be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the ARCs subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of ARCs obtained by multiplying the aggregate principal amount of ARCs subject to Submitted Bids described in clause (B) of this paragraph (ii) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding ARCs held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of Outstanding ARCs subject to all such Submitted Bids and Submitted Sell Orders.

(iii) If all Outstanding ARCs are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(iv) If, as a result of the procedures described in paragraph (i) or (ii) of this subsection (d), any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a principal amount of ARCs that is not equal to an Authorized Denomination therefor the Auction Agent shall, in such manner as it shall, in its sole discretion, determine, round up or down the principal amount of ARCs to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount of ARCs purchased or sold by each Existing Holder or Potential Holder shall be equal to an Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing any ARCs.

(e) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amount of ARCs to be purchased and the aggregate principal amount of ARCs to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of ARCs to be sold differs from such aggregate principal amount of ARCs to be purchased, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be, ARCs.

Section 1.7 Certain Orders Not Permitted. Energy Northwest may not submit an Order in any Auction. The Auction Agent shall have no duty or liability in monitoring or enforcing compliance with this provision.

Section 1.8 Notice of Payment Defaults and Cures; Payment of Service Charges.

(a) The Trustee shall pay to the Auction Agent from the Series 2001-B Account, on behalf of the Holders of the ARCs in same day funds, (i) on the first Business Day of January, April, July and October commencing October 1, 2003, an amount equal to the Auction Agent Fee as calculated in the Auction Agency Agreement and (ii) on the first Business Day of January, April, July and October commencing October 1, 2003, an amount equal to the Broker-Dealer Fee as calculated in the Broker-Dealer Agreement.

(b) By 12:30 p.m. New York City time on the Business Day immediately succeeding each Interest Payment Date, the Trustee will determine if a Payment Default has occurred. If a Payment Default has occurred, the Trustee shall notify the Auction Agent and Broker-Dealer by 1:00 p.m. New York City time of such Payment Default. If a Payment Default has been cured, the Trustee shall so notify the Auction Agent and the Broker-Dealer by 5:00 p.m. New York City time on the day such Payment Default is cured.

Section 1.9 Calculation of Maximum ARC Rate, All Hold Rate and Default Rate. The Auction Agent shall calculate the Maximum ARC Rate and the All Hold Rate on each Auction Date. If the ownership of the ARCs is no longer maintained in book-entry form by the Depository, the Trustee shall calculate the Maximum ARC Rate on the Business Day immediately preceding the first day of each Interest Period commencing after the delivery of certificates representing the ARCs as described in *Subsection 1.2(c)* of this *Appendix C*. If a Payment Default shall have occurred, the Trustee shall calculate the Default Rate on the first day of (i) each Interest Period commencing after the occurrence and during the continuance of such Payment Default and (ii) any Interest Period commencing less than the Applicable Number of Business Days after the cure of any Payment Default. The Auction Agent shall determine the "AA" Financial Commercial Paper Rate for each Interest Period other than the first Interest Period; provided, that if the ownership of the ARCs is no longer maintained in book-entry form, or if a Payment Default has occurred, then the Trustee shall determine the "AA" Financial Commercial Paper Rate for each such Interest Period. The determination by the Trustee or the Auction Agent, as the case may be, of the "AA" Financial Commercial Paper Rate shall (in the absence of manifest error) be final and binding upon all parties. If calculated or determined by the Auction Agent, the Auction Agent shall promptly advise the Trustee of the "AA" Financial Commercial Paper Rate.

Section 1.10. Computation of Interest. The amount of interest distributable to Holders of ARCs in respect of each \$25,000 in principal amount thereof for any Interest Period or part thereof shall be calculated by applying the respective Applicable ARCs Rate for such Interest Period or part thereof to the principal amount of \$25,000, multiplying such product by the actual number of days in the Interest Period or part thereof concerned divided by 365 or 366, as applicable, and truncating the resultant figure to the nearest one cent. Interest on the ARCs shall be computed by the Trustee on the basis of a 365-day year for the number of days actually elapsed; except that for any such calculation with respect to an Interest Payment Date occurring after January 1 of any leap year through December 31 of such leap year, such interest (for any day occurring during such period) shall be computed on the basis of a 366-day year period. The Trustee shall make the calculation required in this Section 1.10 not later than the close of business on each Auction Date.

Section 1.11. Notification of Rates, Amounts and Payment Dates.

(a) The Trustee shall determine the aggregate amount of interest distributable on the next succeeding Interest Payment Date to the Holders of the ARCs. So long as the ownership of the ARCs is maintained in book-entry form by the Depository, the Trustee shall advise the Depository of each Record Date for the ARCs at least two Business Days prior thereto.

(b) Promptly after each Interest Payment Date for the ACRs, and in any event at least 10 days prior to each Interest Payment Date following the Initial Interest Payment Date, the Trustee shall:

(i) so long as no Payment Default has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by the Depository, confirm the Auction Agent's determination of (A) the date of such next Interest Payment Date and (B) the amount payable to the Auction Agent on each Interest Payment Date pursuant to *Section 1.8* hereof and notify the Auction Agent of any discrepancy therein; and

(ii) advise the Depository, so long as the ownership of the ARCs is maintained in book-entry form by the Depository, of the respective Applicable ARCs Rate and the Interest Amount in respect of the next succeeding Interest Period.

In the event that any day following the end of an Auction Period that is scheduled to be an Interest Payment Date shall be changed after the Trustee shall have given the notice referred to in clause (i) of the preceding sentence, not later than 9:15 a.m., New York City time, on the Business Day next preceding the earlier of the new Interest Payment Date or the old Interest Payment Date, the Trustee shall, by such means as the Trustee deems practicable, give notice of such change to the Auction Agent, so long as no Payment Default has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by the Depository.

Section 1.12. Adjustment in Percentages.

(a) The Market Agent shall adjust the percentage used in determining the All Hold Rate, the Applicable Percentage used in determining the Maximum ARC Rate and the percentage of the Kenny Index used in determining the Default Rate, if any such adjustment is necessary, in the judgment of the Market Agent, to reflect any Change of Preference Law such that ARCs paying the Maximum ARC Rate, ARCs paying the All Hold Rate and ARCs paying the Default Rate shall have equal market values before and after such Change of Preference Law. Prior to any such adjustment, Energy Northwest shall give notice thereof to the Rating Agency and no such adjustment shall be made unless such adjustment will not adversely affect the rating on any of the Bonds. In making any such adjustment, the Market Agent shall take the following factors, as in existence both before and after such Change of Preference Law, into account:

- (i) short-term taxable and tax-exempt market rates and indices of such short-term rates;
- (ii) the market supply and demand for short-term tax-exempt securities;
- (iii) yield curves for short-term and long-term tax-exempt securities or obligations having a credit rating that is comparable to the ARCs;
- (iv) general economic conditions; and
- (v) economic and financial factors present in the securities industry that may affect or that may be relevant to the ARCs.

(b) The Market Agent shall effectuate an adjustment in the percentage used in determining the All Hold Rate, the Applicable Percentage used in determining the Maximum ARC Rate and the Applicable Percentage of the Kenny Index used to determine the Default Rate as described in subsection (a) of this Section 1.12 by delivering to Energy Northwest, the Trustee and the Auction Agent at least 10 days prior to the Auction Date on which the Market Agent desires to effect such change a Favorable Opinion and a certificate in substantially the form as set forth in *Exhibit C* of the Supplemental Resolution authorizing the adjustment of the percentage used in determining the All Hold Rate, the Applicable Percentage used in determining the Maximum ARC Rate and the Applicable Percentage of the Kenny Index used to determine the Default Rate, which shall be specified in such certificate.

Section 1.13. Market Agent. The Trustee shall enter into a Market Agent Agreement with UBS PaineWebber Inc., as the initial Market Agent. The Market Agent shall serve as such under the terms and provisions hereof and of the Market Agent Agreement. The Market Agent, including any successor appointed pursuant hereto, shall be a member of the National Association of Securities Dealers, Inc. having capitalization of at least \$50,000,000, and be authorized by law to perform all the duties imposed upon it by the Supplemental Resolution and the Market Agent Agreement. The Market Agent may be removed at any time by the Trustee, acting at the direction of (a) Energy Northwest, or (b) the holders of 66-2/3% of the aggregate principal amount of the ARCs; provided, that such removal shall not take effect until the appointment of a successor Market Agent. The Market Agent may resign upon 30 days' written notice delivered to Energy Northwest and the Trustee. Energy Northwest shall use its best efforts to appoint a successor Market Agent that is a qualified institution, effective as of the effectiveness of any such resignation or removal. Notwithstanding that the Market Agent is the agent of the Trustee under the Market Agent Agreement, the Trustee shall not be liable in any way for any action taken, suffered, or omitted, or for any error of judgment made by the Market Agent, whether in the performance of its duties under the Market Agent Agreement or otherwise.

Section 1.14. Auction Agent.

(a) The Bank of New York shall serve as the initial Auction Agent for the ARCs. The Trustee is hereby directed to enter into an agreement with the Auction Agent which shall provide as follows: The Auction Agent shall be (i) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, The City of New York, and having a combined capital stock, surplus and undivided profits of at least \$15,000,000 or (ii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least

\$15,000,000 and, in either case, authorized by law to perform all the duties imposed upon it hereunder and under the Auction Agency Agreement. The Auction Agent may resign and be discharged of the duties and obligations created by the Supplemental Resolution by giving at least 90 days' written notice to Energy Northwest, the Trustee and the Market Agent (30 days' written notice if the Auction Agent has not been paid its fee for more than 30 days). The Auction Agent may be removed at any time by the Trustee if the Auction Agent is an entity other than the Trustee, acting at the direction of (i) Energy Northwest, or (ii) the holders of 66-2/3% of the aggregate principal amount of the ARCs; provided that, if required by the Market Agent, an agreement in substantially the form of the Auction Agency Agreement shall be entered into with a successor Auction Agent. If the Auction Agent and the Trustee are the same entity, the Auction Agent may be removed as described above, with Energy Northwest acting in lieu of the Trustee.

(b) In the event that the Auction Agent shall resign or be removed or dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, Energy Northwest shall use its best efforts to appoint a successor as Auction Agent (which successor must be approved by MBIA, providing that MBIA is not then in default on its obligations under the Policy and the Trustee shall thereupon enter into an Auction Agency Agreement with such successor.

(c) The Auction Agent shall be acting as agent for the Trustee in connection with Auctions. In the absence of bad faith or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts necessary to make such judgment.

(d) Notwithstanding that the Auction Agent is the agent of the Trustee hereunder and under the Auction Agency Agreement, the Trustee shall not be liable in any way for any action taken, suffered or omitted, or for any error of judgment made by the Auction Agent, whether in the performance of its duties under the Auction Agency Agreement or otherwise, subject to Section 3.4(b) of the Auction Agency Agreement.

Section 1.15. Broker-Dealers.

(a) The Auction Agent shall enter into a Broker Dealer Agreement with UBS PaineWebber Inc., as the initial Broker-Dealer. The Market Agent may from time to time approve one or more additional persons submitted by Energy Northwest to serve as Broker-Dealer under Broker-Dealer Agreements.

(b) Any Broker-Dealer may be removed at any time, at the request of Energy Northwest, but there shall, at all times, be at least one Broker-Dealer appointed and acting as such.

Section 1.16. Redemption of Series 2001-B Bonds. While outstanding as ARCs the Series 2001-B Bonds shall be subject to redemption prior to maturity as provided in the Supplemental Resolution and described in the 2001-B Official Statement.

Section 1.17. Changes in Auction Periods or Auction Date.

(a) Changes in Auction Period or Periods.

(i) While any of the Series 2001-B Bonds are outstanding as ARCs, the Market Agent with the written consent of Energy Northwest, may change, from time to time, the length of one or more Auction Periods and, in connection therewith, change Interest Payment Dates to or from Interest Payment Dates specified in the notice described below corresponding to the end of each Interest Period and Auction Period; any such change shall be considered a "change in the length of one or more Auction Periods" for the purposes of the Supplemental Resolution. The Market Agent shall initiate the change in the length of one or more Auction Periods by giving written notice to the Trustee, the Auction Agent, Energy Northwest and the Depository in substantially the form of, or contain substantially the information set forth in *Exhibit D* of the Supplemental Resolution at least 10 days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall not be less than 7 days. No change in an Auction Period from an Auction Period of one year or less to an Auction Period of more than one year shall occur unless there shall have been delivered to the Trustee a Favorable Opinion; and no change in Auction Period from an Auction Period of more than one year to an Auction Period of one year or less shall occur unless there shall have been delivered to the Trustee a Favorable Opinion.

(iii) The change in the length of one or more Auction Periods shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as described in this *Section 1.17(a)* and the Auction immediately preceding the proposed change.

(iv) The change in length of one or more Auction Periods shall take effect only if (A) the Trustee and the Auction Agent receive, by 11:00 A.M. New York City time, on the Business Day before the Auction Date for the first such Auction Period, a certificate from the Market Agent in substantially the form attached as, or containing substantially the same information contained in, **Exhibit E** to the Supplemental Resolution, authorizing the change in the length of one or more Auction Periods specified in such certificate and (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. If the condition referred to in (A) above is not met, the Applicable ARCs Rate for the next Auction Period shall be determined pursuant to the Auction Procedures and the Auction Period shall be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the Applicable ARCs Rate for the next Auction Period shall be the Maximum ARC Rate and the Auction Period shall be the Auction Period determined without reference to the proposed change.

(b) Changes in the Auction Date. While any of the Series 2001-B Bonds are outstanding as ARCs, the Market Agent (with the consent of Energy Northwest):

(i) in order to conform with then current market practice with respect to similar securities, shall;
or

(ii) in order to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the ARCs and upon receipt of a Favorable Opinion, may

specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in **Section 1.1** of this **Appendix C** with respect to one or more specified Auction Periods. The Market Agent shall provide notice of any determination to specify an earlier Auction Date for one or more Auction Periods by means of a written notice delivered at least 10 days prior to the proposed changed Auction Date to the Trustee, the Auction Agent, Energy Northwest and the Depository. Such notice shall be substantially in the form of, or contain substantially the information contained in, **Exhibit F** of the Supplemental Resolution.

(c) In connection with any change described in this Section 1.17, the Auction Agent shall provide such further notice to such parties as is specified in the Auction Agency Agreement.

(d) No change shall be made to the Auction Period or Auction Date unless Energy Northwest shall have received confirmation from the Rating Agency that the rating on any of the 2001-B Bonds will not be adversely affected.

Section 1.18. Credit Ratings. Energy Northwest shall take all reasonable action necessary to enable at least one nationally recognized statistical rating organization (as that term is used in the rules and regulations of the SEC under the Securities Exchange Act) to provide credit ratings for the ARCs.

Section 1.19. Notices.

(a) The Market Agent shall provide the Trustee, so long as no default under the Resolutions have occurred and are continuing and the ownership of the ARCs is maintained in book-entry form by the Depository, the Auction Agent with notice of any change in the Statutory Corporate Tax Rate.

(b) Energy Northwest shall use its best efforts to provide the Trustee, and, so long as no Payment Default has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by the Depository, the Auction Agent with notice of any change in the maximum rate permitted by law on the ARCs.

Section 1.20. Purchases of ARCs. Energy Northwest shall not purchase or otherwise acquire ARCs unless Energy Northwest redeems or otherwise cancels such ARCs on the day of any purchase.

Section 1.21. Notice of Payment Default.

(a) If Energy Northwest determines that a Payment Default has occurred, Energy Northwest shall promptly notify the Trustee thereof.

(b) So long as the ownership of the ARCs is maintained in book-entry form by the Depository, upon the occurrence of a Payment Default, the Trustee shall immediately send a notice thereof to the Auction Agent and Market Agent by telecopy or similar means.

(c) So long as the ownership of the ARCs is maintained in book-entry form by the Depository, the Trustee shall immediately send notice to the Auction Agent by telecopy or similar means if a Payment Default is cured.

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ATTACHMENT B

SETTLEMENT PROCEDURES

Capitalized terms used herein shall have the respective meanings specified in the Resolution and the Broker-Dealer Agreement.

(a) Not later than 3:00 P.M. New York City time, on each Auction Date, the Auction Agent is required to notify by telephone the Broker-Dealers that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Holder or Potential Holder of:

(i) the Auction Rate fixed for the next Interest Period;

(ii) whether there were Sufficient Clearing Bids in such Auction;

(iii) if such Broker-Dealer (a "Seller's Broker-Dealer") submitted a Bid or a Sell Order on behalf of an Existing Holder, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of ARCs, if any, to be sold by such Existing Holder;

(iv) if such Broker-Dealer (a "Buyer's Broker-Dealer") submitted a Bid on behalf of a Potential Holder, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of ARCs, if any, to be purchased by such Potential Holder;

(v) if the aggregate principal amount of ARCs to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different than the aggregate principal amount of ARCs to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more other Buyer's Broker-Dealers (and the Participant, if any, of each such other Buyer's Broker-Dealer) acting for one or more purchasers of such excess principal amount of ARCs and the principal amount of ARCs to be purchased from one or more Existing Holders on whose behalf such Broker-Dealer acted by one or more Potential Holders on whose behalf each of such other Buyer's Broker-Dealers acted;

(vi) if the principal amount of ARCs to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid exceeds the amount of ARCs to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted a Bid or a Sell Order, the name or names of one or more Seller's Broker-Dealers (and the name of the agent member, if any, of each such Seller's Broker-Dealer) acting for one or more sellers of such excess principal amount of ARCs and the principal amount of ARCs to be sold to one or more Potential Holders on whose behalf such Broker-Dealer acted by one or more Existing Holders on whose behalf each of such Seller's Broker-Dealers acted;

(vii) unless previously provided, a list of all Applicable ARCs Rates and related Interest Periods (or portions thereof) since the last Interest Payment Date; and

(viii) the Auction Date for the next succeeding Auction.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Holder or Potential Holder shall:

(i) advise each Existing Holder and Potential Holder on whose behalf such Broker-Dealer submitted a Bid or Sell Order in the Auction on such Auction Date whether such Bid or Sell Order was accepted or rejected, in whole or in part;

(ii) instruct each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Bidder's Participant to pay to such Broker-Dealer (or its Participant) through DTC the amount necessary to purchase the principal amount of ARCs to be purchased pursuant to such Bid against receipt of such principal amount of ARCs;

(iii) in the case of a Broker-Dealer that is a Seller's Broker-Dealer, instruct each Existing Holder on whose behalf such Broker-Dealer submitted a Sell Order that was accepted, in whole or in part, or a Bid that was accepted, in whole or in part, to instruct such Existing Holder's Participant to deliver to such Broker-Dealer (or its

Participant) through DTC the principal amount of ARCs to be sold pursuant to such Bid or Sell Order against payment therefor;

(iv) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order and each Potential Holder on whose behalf such Broker-Dealer submitted a Bid of the Auction Rate for the next Interest Period;

(v) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order of the next Auction Date; and

(vi) advise each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the next Auction Date.

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order in an Auction is required to allocate any funds received by it pursuant to paragraph (b)(ii) above, and any ARCs received by it pursuant to paragraph (b)(iii) above, among the Potential Holders, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Holders, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders in such Auction, and any Broker-Dealers identified to it by the Auction Agent following such Auction pursuant to paragraph (a)(v) or (a)(vi) above.

(d) On each Auction Date:

(i) each Potential Holder and Existing Holder with an Order in the Auction on such Auction Date shall instruct its Participant as provided in (b)(ii) or (b)(iii) above, as the case may be;

(ii) each Seller's Broker-Dealer that is not a Participant in DTC shall instruct its Participant to (A) pay through DTC to the Participant of the Existing Holder delivering ARCs to such Broker-Dealer following such Auction pursuant to (b)(iii) above the amount necessary, including accrued interest, if any, to purchase such ARCs against receipt of such ARCs, and (B) deliver such ARCs through DTC to a Buyer's Broker-Dealer (or its Participant) identified to such Seller's Broker-Dealer pursuant to (a)(v) above against payment therefor; and

(iii) each Buyer's Broker-Dealer that is not a Participant in DTC shall instruct its Participant to (A) pay through DTC to a Seller's Broker-Dealer (or its Participant) identified following such Auction pursuant to (a)(vi) above the amount necessary, including accrued interest, if any, to purchase the ARCs to be purchased pursuant to (b)(ii) above against receipt of such ARCs, and (B) deliver such ARCs through DTC to the Participant of the purchaser thereof against payment therefor.

(e) On the first Business Day of the Interest Period next succeeding each Auction Date:

(i) each Participant for a Bidder in the Auction on such Auction Date referred to in (d)(i) above shall instruct DTC to execute the transactions described under (b)(ii) or (b)(iii) above for such Auction, and DTC shall execute such transactions;

(ii) each Seller's Broker-Dealer or its Participant shall instruct DTC to execute the transactions described in (d)(ii) above for such Auction, and DTC shall execute such transactions; and

(iii) each Buyer's Broker-Dealer or its Participant shall instruct DTC to execute the transactions described in (d)(iii) above for such Auction, and DTC shall execute such transactions.

(f) If an Existing Holder selling ARCs in an Auction fails to deliver such ARCs (by authorized book-entry), a Broker-Dealer may deliver to the Potential Holder on behalf of which it submitted a Bid that was accepted a principal amount of ARCs that is less than the principal amount of ARCs that otherwise was to be purchased by such Potential Holder. In such event, the principal amount of ARCs to be so delivered shall be determined solely by such Broker-Dealer. Delivery of such lesser principal amount of ARCs shall constitute good delivery. Notwithstanding the foregoing terms of this paragraph (f), any delivery or non-delivery of ARCs which shall represent any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or non-delivery in accordance with the provisions of the Auction Agent and the Broker-Dealer Agreement.

MBIA

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Payment Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

PAYMENTS UNDER THE POLICY

A. In the event that, on the second Business Day, and again on the Business day, prior to the payment date on the Obligations, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the Obligations due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

B. If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Insurer or its designee.

C. In addition, if the Paying Agent has notice that any Bondholder has been required to disgorge payments of principal or interest on the Obligation to a trustee in Bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

D. The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney—in-fact for Holders of the Obligations as follows:

1. If and to the extent there is a deficiency in amounts required to pay interest on the Obligations, the Paying Agent shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and

2. If and to the extent of a deficiency in amounts required to pay principal of the Obligations, the Paying Agent shall (a) execute and deliver to the Insurance Paying agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Obligation surrendered to the Insurance Paying agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

E. Payments with respect to claims for interest on and principal of Obligations disbursed by the Paying Agent from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Obligations, and the Insurer shall become the owner of such unpaid Obligation and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

F. Irrespective of whether any such assignment is executed and delivered, the Issuer and the Paying Agent hereby agree for the benefit of the Insurer that:

1. They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Obligations, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the issuer, with interest thereon as provided and solely from the sources stated in this Indenture and the Obligations; and

2. They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the Obligation, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Obligations to Holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

G. In connection with the issuance of additional Obligations, the Issuer shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional Obligations.

H. Copies of any amendments made to the documents executed in connection with the issuance of the Obligations which are consented to by the Insurer shall be sent to Standard & Poor's Corporation.

I. The Insurer shall receive notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto.

J. The Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the Issuer's audited financial statements and Annual Budget.

Notices: Any notice that is required to be given to a holder of the Obligation or to the Paying Agent pursuant to the Indenture shall also be provided to the Insurer. All notices required to be given to the Insurer under the Indenture shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

QUARTERLY REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2001

Federal Columbia River Power System

Comparative Balance Sheets (Unaudited)

(Thousands of Dollars)

| | March 31 | |
|--|--------------|--------------|
| | 2001 | 2000 |
| ASSETS | | |
| UTILITY PLANT: | | |
| Completed plant | \$11,120,899 | \$11,054,517 |
| Accumulated depreciation | (3,713,204) | (3,592,367) |
| | 7,407,695 | 7,462,150 |
| Construction work in progress | 703,200 | 577,431 |
| Net utility plant | 8,110,895 | 8,039,581 |
| NON-FEDERAL PROJECTS | 6,399,694 | 6,683,162 |
| TROJAN DECOMMISSIONING COST | 73,414 | 82,778 |
| CONSERVATION, net of accumulated amortization | 474,888 | 538,336 |
| FISH AND WILDLIFE, net of accumulated amortization | 140,076 | 144,984 |
| CURRENT ASSETS | 1,461,249 | 1,440,686 |
| OTHER ASSETS | 426,364 | 188,412 |
| | \$17,086,580 | \$17,117,939 |
| CAPITALIZATION AND LIABILITIES | | |
| ACCUMULATED NET REVENUES (EXPENSES) | (\$101,928) | \$216,639 |
| FEDERAL APPROPRIATIONS | 4,549,419 | 4,508,290 |
| CAPITALIZATION ADJUSTMENT | 2,294,148 | 2,362,277 |
| LONG-TERM DEBT | 2,648,200 | 2,400,900 |
| NON-FEDERAL PROJECTS DEBT | 6,043,650 | 6,370,543 |
| TROJAN DECOMMISSIONING RESERVE | 60,814 | 60,178 |
| CURRENT LIABILITIES | 979,544 | 757,858 |
| DEFERRED CREDITS | 612,733 | 441,254 |
| | \$17,086,580 | \$17,117,939 |

Comparative Statements of Revenues and Expenses (Unaudited)

(Thousands of Dollars)

| | Six months ended | | Twelve months ended | |
|--|--------------------|------------------|---------------------|------------------|
| | March 31 | | March 31 | |
| | 2001 | 2000 | 2001 | 2000 |
| Operating Revenues: | | | | |
| Revenues | \$2,111,307 | \$1,475,893 | \$3,675,583 | \$2,732,019 |
| SFAS 133 mark-to-market gain | 52,315 | 0 | 52,315 | 0 |
| Operating Revenues | 2,163,622 | 1,475,893 | 3,727,898 | 2,732,019 |
| Operating Expenses: | | | | |
| Operations and maintenance | 426,380 | 418,308 | 930,415 | 879,132 |
| Purchased power | 1,133,720 | 59,293 | 1,699,309 | 220,942 |
| Tenaska | 0 | 0 | (26,817) | 0 |
| Non-Federal projects | 322,354 | 318,196 | 564,757 | 642,638 |
| Residential exchange | 23,647 | 31,670 | 55,570 | 63,547 |
| Federal projects depreciation | 159,468 | 153,239 | 326,171 | 319,180 |
| Operating Expenses | 2,065,569 | 980,706 | 3,549,405 | 2,125,439 |
| Net operating revenues | 98,053 | 495,187 | 178,493 | 606,580 |
| Interest Expense | 164,300 | 170,381 | 328,569 | 342,702 |
| Net Income from Continuing Operations | (\$66,247) | \$324,806 | (\$150,076) | \$263,878 |
| Cumulative Effect of SFAS 133 | (168,491) | 0 | (168,491) | 0 |
| NET REVENUES (EXPENSES) | (\$234,738) | \$324,806 | (\$318,567) | \$263,878 |

Derivative Instruments and Hedging Activities

On the date of adoption (Oct. 1, 2000), BPA recorded a \$168 million loss primarily attributable to the accounting requirements for bookout transactions under SFAS 133. Going forward from the date of adoption, BPA estimates the impact of SFAS 133 to be immaterial on a long term basis, as the effects of marking derivatives, including bookout transactions, to market will reverse and eliminate over the terms of the related contracts. However, SFAS 133 is expected to have significant effect in increasing volatility of earnings (losses) on a period to period basis.

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DO NOT STAPLE THIS FORM

124230

MSRB

FORM G-36(0S) - FOR OFFICIAL STATEMENTS

5-1

SECTION I - MATERIALS SUBMITTED

- A. THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):
 - 1. A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES (enclose two (2) copies)
 - (a) DATE RECEIVED FROM ISSUER: 04/30/2001
 - (b) DATE SENT TO MSRB: 04/30/2001
 - 2. AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d) (enclose two (2) copies)
 - (a) DATE RECEIVED FROM ISSUER: _____
 - (b) DATE SENT TO MSRB: _____
- B. IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT (e.g. preliminary official statement and wrap, even if physically attached), PLEASE CHECK HERE:
- C. IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED, PLEASE CHECK HERE (include copy of original form G-36 (0S)):

SECTION II - IDENTIFICATION OF ISSUE(S)

Each issue must be listed separately.

If more space is needed to list additional issues, please include on a separate sheet and check here:

| | | |
|----------------------|--|------------------------|
| NAME OF ISSUER | ENERGY NORTHWEST (WASHINGTON) PROJECT NO.1 REFUNDING ELECTRIC REVENUE BDS 2001-B COLUMBIA GENERATING STATION REFUNDING ELECTRIC REVENUE BONDS, SERIES 2001-B PROJECT NO. 3 | STATE: WA |
| DESCRIPTION OF ISSUE | PROJECT NO. 1 REFUNDING ELECTRIC REVENUE BONDS, SERIES 2001-B INITIAL INTEREST PERIOD ENDS: 7/1/2008 | DATED DATE: 05/09/2001 |

| | | |
|----------------------|--|------------------------|
| NAME OF ISSUER | ENERGY NORTHWEST (WASHINGTON) PROJECT NO.1 REFUNDING ELECTRIC REVENUE BDS 2001-B COLUMBIA GENERATING STATION REFUNDING ELECTRIC REVENUE BONDS, SERIES 2001-B PROJECT NO. 3 | STATE: WA |
| DESCRIPTION OF ISSUE | COLUMBIA GENERATING STATION REFUNDING ELECTRIC REV BDS SER 2001-B INITIAL INTEREST PERIOD ENDS 7/1/2009 | DATED DATE: 05/09/2001 |

| | | |
|----------------------|--|------------------------|
| NAME OF ISSUER | ENERGY NORTHWEST (WASHINGTON) PROJECT NO.1 REFUNDING ELECTRIC REVENUE BDS 2001-B COLUMBIA GENERATING STATION REFUNDING ELECTRIC REVENUE BONDS, SERIES 2001-B PROJECT NO. 3 | STATE: WA |
| DESCRIPTION OF ISSUE | PROJECT NO. 3 REFUNDING ELECTRIC REVENUE BONDS, SERIES 2001-B INITIAL INTEREST PERIOD ENDS 7/1/2010 | DATED DATE: 05/09/2001 |

SECTION III - TRANSACTION INFORMATION

- A. LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: 07/01/2018
 - B. DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 04/19/2001
 - C. ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 05/09/2001
 - D. IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE, PLEASE CHECK HERE:
- A separate Form G-36(ARD) and copies of the advance refunding documents must be submitted for each issue advance refunded.

SECTION IV - UNDERWRITER ASSESSMENT INFORMATION

The information will be used by the MSRB to compute any rule A-13 underwriting assessment that may be due on this offering. The managing underwriter will be sent an invoice if a rule A-13 assessment is due on the offering.

- A. MANAGING UNDERWRITER UBS PaineWebber Inc. SEC REG. NUMBER: 8-16267
- B. TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING \$ 97,275,000
- C. PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from the amount shown in item B above): \$
- C. CHECK ALL THAT APPLY

- 1. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value of more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.
- 2. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value of more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.
- 3. This offering is exempt from SEC rule 15c2-12 under section (c)(1) of that rule. Section (c)(1) of SEC rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of \$100,000 or more and sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

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SECTION II - IDENTIFICATION OF ISSUE(S) - CONT'

NAME OF ENERGY NORTHWEST (WASHINGTON) PROJECT NO.1 REFUNDING ELECTRIC REVENUE BDS 2001-B COLUMBIA
ISSUER GENERATING STATION REFUNDING ELECTRIC REVENUE BONDS, SERIES 2001-B PROJECT NO. 3
DESCRIPTION PROJECT NO. 3 REFUNDING ELECTRIC REVENUE BONDS, SERIES 2001-B INITIAL INTEREST PERIOD
OF ISSUE ENDS 7/1/2003

STATE: WA
DATED
DATE: 05/09/2001

NAME OF ENERGY NORTHWEST (WASHINGTON) PROJECT NO.1 REFUNDING ELECTRIC REVENUE BDS 2001-B COLUMBIA
ISSUER GENERATING STATION REFUNDING ELECTRIC REVENUE BONDS, SERIES 2001-B PROJECT NO. 3
DESCRIPTION PROJECT NO. 3 REFUNDING ELECTRIC REVENUE BONDS, SERIES 2001-B INITIAL INTEREST PERIOD
OF ISSUE ENDS 7/1/2004

STATE: WA
DATED
DATE: 05/09/2001

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SECTION V - CUSIP INFORMATION

MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

CUSIP-9 NUMBERS OF THE ISSUE(S)

| Maturity Date | CUSIP Number | Maturity Date | CUSIP Number | Maturity Date | CUSIP Number |
|---------------|--------------|---------------|--------------|---------------|--------------|
| 7/01/2017A | 29270CBF1 | 07/01/2018B | 29270CBG9 | 07/01/2018C | 29270CBH7 |
| 7/01/2018D | 29270CBJ3 | 07/01/2018E | 29270CBK0 | | |

IF ANY OF THE ABOVE SECURITIES HAS A "CUSIP-6" BUT NO "CUSIP-9", CHECK HERE AND LIST THEM BELOW: []
(Please see instructions in Form G-36 Manual)

LIST ALL CUSIP-6 NUMBERS ASSIGNED: _____
State the reason why such securities have not been assigned a "CUSIP-9": _____

IF ANY OF THESE SECURITIES IS INELIGIBLE FOR CUSIP NUMBER ASSIGNMENT, PLEASE CHECK HERE: []

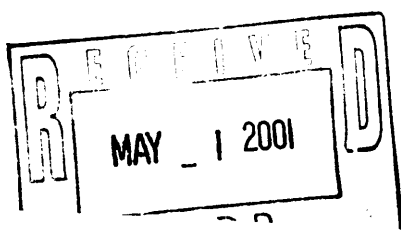
State the reason why such securities are ineligible for CUSIP number assignment: _____

SECTION VI - MANAGING UNDERWRITER'S CERTIFICATION AND SIGNATURE

THE UNDERSIGNED CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM ARE AS DESCRIBED IN SECTION I ABOVE AND THAT ALL OTHER INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGES THAT SAID MATERIALS WILL BE PUBLICLY DISSEMINATED.

ON BEHALF OF THE

FILED IN SECTION IV ABOVE



(managing underwriter)

A) _____ mo. _____

C) _____ fil i _____
_____ or r _____
_____ rm an _____
_____ MSRB _____
_____ als t _____

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