

NEW ISSUE — BOOK-ENTRY ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, based on an analysis of existing laws, regulations, rulings and court decisions and assuming continuing compliance with certain covenants, interest on the Series 2003-C Bonds, Series 2003-D Bonds and Series 2003-E Bonds (collectively, the "Series 2003-C, D & E Bonds") is excludable 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. In the further opinion of Special Tax Counsel, interest on the Series 2003-C, D & E 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 2003-C, D & E Bonds. See "TAX EXEMPTION" herein.

\$499,575,000
ENERGY NORTHWEST
\$200,485,000 Project No. 1 Refunding Electric Revenue Bonds, Series 2003-C
\$201,065,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2003-D
\$98,025,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2003-E

Dated: Date of delivery

Price: 100%

Due: July 1, as shown on the inside cover

The Series 2003-C, D & E Bonds are being issued for the purpose of refunding Prior Lien Bonds heretofore issued by Energy Northwest in connection with Project 1 and Project 3, as more fully described herein. The Series 2003-C, D & E 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 2003-C Bonds consist of four separate Subseries and will be issued as Auction Rate Securities. Each Subseries of Auction Rate Securities will bear interest during their respective initial Auction Periods described on the inside cover page of this Official Statement at the applicable rate for that Subseries set forth in a certificate of Energy Northwest delivered at the issuance of the Series 2003-C Bonds. Thereafter, these Subseries will bear interest at Auction Rates for their respective Auction Periods, each as described in this Official Statement. The Series 2003-D Bonds consist of two separate Subseries and will be issued as Variable Rate Demand Obligations and will bear interest initially at a Weekly Interest Rate, as determined from time to time by the respective Remarketing Agent. The Series 2003-E Bonds will be issued as Variable Rate Demand Obligations bearing interest initially at a Weekly Interest Rate, as determined from time to time by the related Remarketing Agent.

At the election of Energy Northwest, the interest on any such Series or any Subseries of a Series may be converted to another Interest Rate Period.

Payment of the principal of and interest on each Subseries of the Series 2003-C Bonds when due will be insured by municipal bond insurance policies issued by **XL Capital Assurance Inc.** simultaneously with the delivery of such Subseries. Payment of the principal of and interest on the 2003-D-3-1 Bonds when due will be insured by a financial guaranty insurance policy issued by **Financial Security Assurance** simultaneously with the delivery of such Subseries. Payment of the principal of and interest on the 2003-D-3-2 Bonds when due will be insured by a municipal bond insurance policy issued by **MBIA Insurance Corporation** simultaneously with the delivery of such Subseries. With respect to each Subseries of the Series 2003-D Bonds, Energy Northwest will enter into a Standby Bond Purchase Agreement with **Dexia Crédit Local**, New York Agency ("Dexia") under which Dexia, subject to the satisfaction of certain conditions precedent, will be obligated to purchase any 2003-D Bonds tendered for purchase and not remarketed by the related Remarketing Agent. Each Standby Bond Purchase Agreement will expire on April 10, 2008 unless terminated earlier or extended in accordance therewith. The principal of, interest on and purchase price of the Series 2003-E Bonds while bearing interest at the Weekly Interest Rate are payable from the funds drawn under an irrevocable direct pay letter of credit issued by **JPMorgan Chase Bank** until the stated expiration date of April 10, 2006, unless terminated earlier or extended in accordance therewith.

This Official Statement provides information as of its date concerning the Series 2003-C, D & E Bonds bearing interest as provided above prior to conversion to another Interest Rate Period. Owners and prospective purchasers of the Series 2003-C, D & E should not rely on this Official Statement for information concerning the Series 2003-C, D & E in connection with any conversion of the Series 2003-C, D & E to another Interest Rate Period, but should look solely to any offering material used in connection with any such conversion.

The Series 2003-C, D & E Bonds will be issued in fully registered form, registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2003-C, D & E Bonds. Individual purchases will be made in book-entry form, in the denominations indicated herein. So long as Cede & Co. is the registered owner of the Series 2003-C, D & E Bonds and nominee of DTC, references herein to holders or registered owners shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2003-C, D & E Bonds. See "THE SERIES 2003-C, D & E BONDS — Book-Entry Only System; Transferability and Registration." BNY Western Trust Company, Seattle, Washington, will act as Trustee for the Series 2003-C, D & E Bonds. Interest on the Series 2003-C Bonds is payable as provided on the inside cover of this Official Statement. Interest on the Series 2003-D Bonds and Series 2003-E Bonds is payable on the first Wednesday of each month (or next succeeding business day), commencing May 7, 2003, in each case by check or draft of the Trustee, as set forth herein or, under the circumstances described herein, by wire transfer to the registered owner. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Series 2003-C, D & E Bonds will be made to such registered owner, and disbursement of such payments will be the responsibility of DTC and DTC participants as described herein.

The Series 2003-C, D & E Bonds are subject to redemption and optional and mandatory tender prior to maturity as set forth herein.

The Series 2003-C, D & E Bonds are special revenue obligations of Energy Northwest, payable solely from the sources described herein, including 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 2003-C, D & E 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 OTHER INFORMATION – See Inside Cover

The Series 2003-C, D & E Bonds are offered when, as, and if issued and received by the Underwriters, subject to the approval of legality by Willkie Farr & Gallagher, New York, New York, Bond Counsel to Energy Northwest, and to certain other conditions. Certain legal matters will be passed upon for Energy Northwest by its General Counsel and for Bonneville by its 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 2003-C, D & E Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about April 10, 2003.

Salomon Smith Barney

**Underwriter for the Series 2003-C-1-2 Bonds,
the Series 2003-C-1-3 Bonds and
the Series 2003-D-3-1 Bonds**

Goldman, Sachs & Co.

**Underwriter for the Series 2003-C-1-1 Bonds
and the Series 2003-D-3-2 Bonds**

JPMorgan

**Underwriter for the Series 2003-C-1-4 Bonds
and the Series 2003-E Bonds**

MATURITIES AND PRINCIPAL AMOUNTS

\$200,485,000

Project No. 1 Refunding Electric Revenue Bonds Series 2003-C

<u>Subseries Designation</u>	<u>CUSIP Number</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Initial Auction Date</u>	<u>Auction Date Generally</u>	<u>Auction Period</u>	<u>Initial Interest Payment Date</u>	<u>Interest Payment Date Generally</u>	<u>Bond Insurer</u>
2003-C-1-1	29270CFP5	50,235,000	July 1, 2016	April 17, 2003	each Thursday	7 days	April 21, 2003	each Friday	XL Capital
2003-C-1-2	29270CFQ3	50,000,000	July 1, 2016	April 21, 2003	each Monday	7 days	April 22, 2003	each Tuesday	XL Capital
2003-C-1-3	29270CFR1	50,250,000	July 1, 2017	May 20, 2003	every fifth Tuesday	35 days	May 21, 2003	every fifth Wednesday	XL Capital
2003-C-1-4	29270CFS9	50,000,000	July 1, 2017	May 27, 2003	every fifth Tuesday	35 days	May 28, 2003	every fifth Wednesday	XL Capital

Goldman, Sachs & Co., Salomon Smith Barney Inc. and J.P. Morgan Securities Inc. will each act as Broker-Dealer for each Subseries of the Series 2003-C Bonds.

\$201,065,000

Project No. 3 Refunding Electric Revenue Bonds Series 2003-D

<u>Subseries Designation</u>	<u>CUSIP Number</u>	<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Liquidity Provider</u>	<u>Bond Insurer</u>	<u>Remarketing Agent</u>
2003-D-3-1	29270CFT7	\$100,665,000	July 1, 2018	Dexia	FSA	Salomon Smith Barney Inc.
2003-D-3-2	29270CFU4	\$100,400,000	July 1, 2018	Dexia	MBIA	Goldman, Sachs & Co.

\$98,025,000

Project No. 3 Refunding Electric Revenue Bonds Series 2003-E

<u>CUSIP Number</u>	<u>Maturity Date</u>	<u>Letter of Credit Bank</u>	<u>Remarketing Agent</u>
29270CFV2	July 1, 2017	JPMorgan Chase Bank	J.P. Morgan Securities Inc.

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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 2003-C, Series 2003-D and Series 2003-E 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 information concerning Dexia Crédit Local, New York Agency (the "Liquidity Facility Provider"), JPMorgan Chase Bank (the "Credit Issuer"), XL Capital Assurance Inc. ("XLCA"), Financial Security Assurance Inc. ("FSA") and MBIA Insurance Corporation ("MBIA"), Appendix C-1 – "Description of XLCA and XLCA Specimen Municipal Bond Insurance Policy," Appendix C-2 – "Description of FSA and FSA Specimen Municipal Bond Insurance Policy," and Appendix C-3 – "Description of MBIA and MBIA Specimen Financial Guaranty Insurance Policy," Appendix D – "Dexia Crédit Local, New York Agency," and Appendix E – "JPMorgan Chase Bank" has been supplied by the related entity. Other than the information supplied by the Liquidity Provider, the Credit Issuer, XLCA, FSA and MBIA, respectively, none of the information in this Official Statement has been supplied or verified by either the Liquidity Facility Provider, the Credit Issuer, XLCA, FSA or MBIA and none of the Liquidity Facility Provider, the Credit Issuer, XLCA, FSA nor MBIA makes any representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2003-C Bonds, Series 2003-D Bonds or Series 2003-E Bonds; or (iii) the tax exempt status of the interest on the Series 2003-C Bonds, Series 2003-D Bonds or Series 2003-E Bonds.

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 2003-C BONDS, SERIES 2003-D BONDS AND SERIES 2003-E 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

\$499,575,000

Energy Northwest

\$200,485,000 Project No. 1 Refunding Electric Revenue Bonds, Series 2003-C

\$201,065,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2003-D

\$98,025,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2003-E

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 (i) \$200,485,000 Project No. 1 Refunding Electric Revenue Bonds, Series 2003-C (the "Series 2003-C Bonds"), consisting of the following Subseries (each, a "Subseries of the Series 2003-C Bonds"): \$50,235,000 of Series 2003-C-1-1 Bonds (the "Series 2003-C-1-1 Bonds"), \$50,000,000 of Series 2003-C-1-2 Bonds (the "Series 2003-C-1-2 Bonds"), \$50,250,000 of Series 2003-C-1-3 Bonds (the "Series 2003-C-1-3 Bonds"), and \$50,000,000 of Series 2003-C-1-4 Bonds (the "Series 2003-C-1-4 Bonds"), (ii) \$201,065,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2003-D (the "Series 2003-D Bonds"), consisting of the following Subseries (each, a "Subseries of the Series 2003-D Bonds"): \$100,665,000 of Series 2003-D-3-1 Bonds (the "Series 2003-D-3-1 Bonds"), and \$100,400,000 of Series 2003-D-3-2 Bonds (the "Series 2003-D-3-2 Bonds"), and (iii) \$98,025,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2003-E (the "Series 2003-E Bonds," and together with the Series 2003-C Bonds and the Series 2003-D Bonds, the "Series 2003-C, D & E Bonds" or the "2003-C, D & E Bonds"). The Series 2003-C, D & E 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) heretofore issued by Energy Northwest. The Series 2003-C, D & E 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 2003-C, D & E Bonds. Accordingly, the owners of the Series 2003-C, D & E Bonds issued for a particular Project will have no claim on the receipts, income and revenues securing any other Energy Northwest Project. The Series 2003-C, D & E Bonds 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 2003-A & B Official Statement.

The Series 2003-C Bonds are being issued in four Subseries as set forth in this Official Statement. Each Subseries of the Series 2003-C Bonds are initially issued as Auction Rate Securities or ARS. Under certain circumstances described herein, the interest rate on any Subseries of Auction Rate Securities may be converted to bear interest for an alternate Interest Rate Period.

The Series 2003-D Bonds are being issued in two Subseries as set forth in this Official Statement. Each Subseries of the Series 2003-D Bonds will bear interest initially at a Weekly Interest Rate. Under certain circumstances described herein, the interest rate on any Subseries of the Series 2003-D Bonds may be converted to bear interest for an alternate Interest Rate Period.

The Series 2003-E Bonds will bear interest initially at a Weekly Interest Rate. Under certain circumstances described herein, the interest rate on the Series 2003-E Bonds may be converted to bear interest for an alternate Interest Rate Period.

Simultaneously with the delivery of the Series 2003-C, D & E Bonds, Energy Northwest will deliver \$241,455,000 of its Project No. 1 Refunding Electric Revenue Bonds, Series 2003-A (the "Project 1 2003-A Bonds"), \$154,490,000 of its Columbia Generating Station Refunding Electric Revenue Bonds, Series 2003-A (the "Columbia 2003-A Bonds"), \$241,915,000 of its Project No. 3 Refunding Electric Revenue Bonds, Series 2003-A

(the "Project 3 2003-A Bonds," and, together with the Project 1 2003-A Bonds and the Columbia 2003-A Bonds, the "Series 2003-A Bonds"), \$18,210,000 of its Project No. 1 Refunding Electric Revenue Bonds, Series 2003-B (the "Project 1 2003-B Bonds"), \$4,530,000 of its Columbia Generating Station Refunding Electric Revenue Bonds, Series 2003-B (the "Columbia 2003-B Bonds"), \$21,575,000 of its Project No. 3 Refunding Electric Revenue Bonds, Series 2003-B (the "Project 3 2003-B Bonds," and, together with the Project 1 2003-B Bonds and the Columbia 2003-B Bonds, the "Series 2003-B Bonds"). The Series 2003-A Bonds and the Series 2003-B Bonds will be issued on a parity with the Series 2003-C, D & E Bonds under the respective Electric Revenue Bond Resolutions. Energy Northwest will issue the Series 2003-A Bonds and the Series 2003-B Bonds as fixed rate bonds bearing interest at the rates shown in the Official Statement of Energy Northwest dated March 20, 2003 prepared in connection therewith (the "2003-A & B Official Statement"). The proceeds of the Series 2003-A Bonds will be applied to the refunding of a portion of Energy Northwest's outstanding Prior Lien Bonds and Refunding Electric Revenue Bonds, and the proceeds of the Series 2003-B Bonds will be applied to pay the costs of issuance of the Series 2003-A Bonds, the Series 2003-B Bonds and the Series 2003-C, D & E Bonds, as well as a portion of the costs of redeeming and retiring Energy Northwest's outstanding Prior Lien Bonds and Refunding Electric Revenue Bonds, all as more fully described in the 2003-A & B Official Statement.

Capitalized terms used in this Official Statement and not defined herein shall have the meanings given to such terms in the 2003-A & B 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 2003-A & B 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 2003-A & B 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 2003-C, D & E Bonds.

INTRODUCTION

This Introduction is not intended to provide all information material to a prospective purchaser of the Series 2003-C, D & E 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 2003-A & B 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 16 members, consisting of 13 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 2003-A & B 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 2003-A & B 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 65.0% and has generated 107,114,371 megawatt-hours (net of station use) of electric power through January 2003. For further information relating to Columbia, see “ENERGY NORTHWEST — The Columbia Generating Station” in the 2003-A & B 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.

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 2003-A & B Official Statement. See “SECURITY FOR THE NET BILLED BONDS — Net Billing Agreements” in the 2003-A & B 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 2003-A & B Official Statement. See “SECURITY FOR THE NET BILLED BONDS — Net Billing Agreements” in the 2003-A & B 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 2003-A & B 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 30 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.

SECURITY FOR THE SERIES 2003-C, D & E BONDS

Security for the Series 2003-C Bonds

The Series 2003-C 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 Series 2003-C Bonds are secured on parity with \$583,525,000 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 \$259,665,000 principal amount of the Series 2003-A Bonds and the Series 2003-B Bonds and 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.

Payment of the principal of and interest on each Subseries of the Series 2003-C Bonds when due will be insured by a municipal bond insurance policy (the “XLCA Policy”) to be issued by XL Capital Assurance Inc. (the “XLCA”) simultaneously with the delivery of the Series 2003-C Bonds. See Appendix C-1 – “Description of XLCA and XLCA Specimen Municipal Bond Insurance Policy.”

The provisions of the Project 1 Electric Revenue Bond Resolution notwithstanding, under the Project 1 2003-C Electric Revenue Bond Supplemental Resolution (as hereinafter defined), XLCA shall be deemed to be the sole holder of the Series 2003-C Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of such Series 2003-C Bonds are entitled to take pursuant to the Project 1 Electric Revenue Bond Resolution. In addition, the maturity of Series 2003-C Bonds shall not be accelerated without the consent of XLCA.

Security for the Series 2003-D Bonds

The Series 2003-D 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 Series 2003-D Bonds are secured on parity with \$459,230,000 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 the Series 2003-E Bonds and \$263,490,000 principal amount of the Series 2003-A Bonds and the Series 2003-B Bonds and 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.

Payment of the principal of and interest on the Series 2003-D-3-1 Bonds (the “FSA Insured Bonds”) when due will be insured by a municipal bond insurance policy (the “FSA Policy”) to be issued by Financial Security Assurance Inc. (“FSA”) concurrently with the delivery of the Series 2003-D-3-1 Bonds. See Appendix C-2 – “Description of FSA and FSA Specimen Municipal Bond Insurance Policy.”

Payment of the principal of and interest on the Series 2003-D-3-2 Bonds when due will be insured by a financial guaranty insurance policy (the “MBIA Policy”) to be issued by MBIA Insurance Corporation (“MBIA”) simultaneously with the delivery of the Series 2003-D-3-2 Bonds. See Appendix C-3 – “Description of MBIA and MBIA Specimen Financial Guaranty Insurance Policy.”

The provisions of the Project 3 Electric Revenue Bond Resolution notwithstanding, under the Project 3 2003-D Electric Revenue Bond Supplemental Resolution (as hereinafter defined), FSA and MBIA shall be deemed to be the sole holder of the Subseries of the Series 2003-D Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of such Subseries of the Series 2003-D Bonds insured by it are entitled to take pursuant to the Project 3 Electric Revenue Bond Resolution. In addition, the maturity of the Series 2003-D Bonds of a Subseries shall not be accelerated without the consent of the applicable Bond Insurer.

The purchase price on each Subseries of the Series 2003-D Bonds tendered for purchase as described under the caption “DESCRIPTION OF THE SERIES 2003-C, D & E BONDS — Series 2003-D Bonds - The Standby Bond Purchase Agreements” and not remarketed will be made by Dexia Crédit Local acting through its New York Agency (the “Liquidity Facility Provider”), pursuant and subject to the terms of separate Standby Bond Purchase Agreements, each dated April 10, 2003, and among Energy Northwest, the Trustee and the Liquidity Facility Provider (individually, a “Standby Bond Purchase Agreement,” and collectively, “the “Standby Bond Purchase Agreements”). The Standby Bond Purchase Agreement relating to the Series 2003-D-3-1 Bonds will expire on April 10, 2008 unless terminated sooner or extended. The Standby Bond Purchase Agreement relating to the Series 2003-D-3-2 Bonds will expire on April 10, 2008 unless terminated sooner or extended. IN CERTAIN CIRCUMSTANCES, THE OBLIGATION OF THE LIQUIDITY FACILITY PROVIDER TO PURCHASE SERIES 2003-D BONDS PURSUANT TO THE STANDBY PURCHASE AGREEMENTS MAY BE SUSPENDED OR TERMINATED WITHOUT NOTICE. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE SERIES 2003-D BONDS. See Appendix H-1 – “Summary of Certain Provisions of the Series 2003-D-3-1 Standby Bond Purchase Agreement” and H-2 – “Summary of Certain Provisions of the Series 2003-D-3-2 Standby Bond Purchase Agreement.”

Security for the Series 2003-E Bonds

The Series 2003-E 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 Series 2003-E Bonds are secured on parity with \$459,230,000 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 the Series 2003-D Bonds and \$263,490,000 principal amount of the Series 2003-A Bonds and the Series 2003-B Bonds and 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.

The principal of, interest on and purchase price of the Series 2003-E Bonds are payable from funds drawn under an irrevocable direct pay letter of credit issued in favor of the Trustee by JPMorgan Chase Bank (the "Credit Issuer"), until the stated expiration date of April 10, 2006, unless terminated earlier or extended in accordance therewith as described herein. See "DESCRIPTION OF THE SERIES 2003-C, D & E BONDS– Series 2003-E Bonds – Letter of Credit," Appendix E – "JPMorgan Chase Bank" and Appendix G – "Summary of Certain Provisions of the Letter of Credit and the Reimbursement Agreement."

The provisions of the Project 3 Electric Revenue Bond Resolution notwithstanding, under the Project 3 2003-E Electric Revenue Bond Supplemental Resolution, the Credit Issuer shall be deemed to be the sole holder of the Series 2003-E Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2003-E Bonds are entitled to take pursuant to the Project 3 Electric Revenue Bond Resolution.

Purpose of Issuance

The Series 2003-C 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 March 20, 2003 (the "Project 1 Electric Revenue Bond Supplemental Resolution"). Energy Northwest is issuing the Series 2003-C Bonds for the purpose of refunding \$200,485,000 aggregate principal amount of the \$1,406,690,000 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"). Bonds issued pursuant to the Project 1 Prior Lien Resolution are referred to herein as the "Project 1 Prior Lien Bonds," See "PLAN OF REFUNDING" below.

The Series 2003-D 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 March 20, 2003 (the "Project 3 2003-D Electric Revenue Bond Supplemental Resolution.") Energy Northwest is issuing the Series 2003-D Bonds for the purpose of refunding \$201,065,000 aggregate principal amount of the \$1,296,257,106 of Project 3 Prior Lien Bonds (as hereinafter defined) currently outstanding under Resolution No. 775, adopted on December 3, 1975 (as amended and supplemented the "Project 3 Prior Lien Resolution") Bonds issued pursuant to the Project 3 Prior Lien Resolution are referred to herein as the "Project 3 Prior Lien Bonds. See "PLAN OF REFUNDING" below.

The Series 2003-E Bonds are being issued pursuant to the Project 3 Electric Revenue Bond Resolution and a supplemental resolution adopted on March 20, 2003 (the "Project 3 2003-E Electric Revenue Bond Supplemental Resolution" and together with the Project 1 Electric Revenue Bond Supplemental Resolution and the Project 3 2003-D Electric Revenue Bond Supplemental Resolution, the "Supplemental Resolutions"). Energy Northwest is issuing the Series 2003-E Bonds for the purpose of refunding \$98,025,000 aggregate principal amount of the \$1,296,257,106 of Project 3 Prior Lien Bonds currently outstanding under the Project 3 Prior Lien Resolution. See "PLAN OF REFUNDING" below.

The Project 1 Prior Lien Resolution, Resolution No. 640, adopted by Energy Northwest on June 26, 1973 (as amended and supplemented 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,

Resolution No. 1042, adopted by Energy Northwest on October 23, 1997 (as amended and supplemented, 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, bonds issued pursuant to the Columbia Prior Lien Resolution (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 2003-C, D & E 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 2003-A & B 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 2003-A & B Official Statement.

PLAN OF REFUNDING

GENERAL

The Project 1 2003-C Bonds are being issued for the purpose of providing funds to refund \$200,485,000 aggregate principal amount of Project 1 Prior Lien Bonds (the "Project 1 Refunded Bonds"). The Project 1 Refunded Bonds were issued pursuant to the Project 1 Prior Lien Resolution for the purpose of refinancing the costs of planning, construction and acquisition of Project 1. The Project 3 2003-D Bonds and the Project 3 2003-E Bonds are being issued for the purpose of providing funds to refund \$299,090,000 aggregate principal amount of Project 3 Prior Lien Bonds (the "Project 3 Refunded Bonds," and together with the Project 1 Refunded Bonds, the "Refunded Bonds"). The Project 3 Refunded Bonds were issued pursuant to the Project 3 Prior Lien Resolution for the purpose of refinancing the costs of planning, construction and acquisition of Project 3.

A portion of the proceeds of the Series 2003-C, D & E 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 Refunded Bonds and the Project 3 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 and all interest on all of the Refunded Bonds on July 1, 2003, as shown in the following table entitled "Refunded Bonds". Concurrently with such purchase of Investment Securities, Energy Northwest shall deposit such Investment Securities in a trust fund established with the Bond Fund Trustee for such Series of Refunded Bonds pursuant to the applicable Supplemental Resolution an escrow agreement between Energy Northwest and the Bond Fund Trustee for such Series of 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.

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. 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. Implementing the Bonneville Proposal 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. The 2000 Refunding Plan also reaffirmed 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.

In September 2001, Energy Northwest's Executive Board adopted an updated Refunding Plan. Such Refunding Plan included a revision which incorporated the increase in the average life of Projects 1 and 3 Net Billed Bonds as a refinancing program objective for any future refinancing of such bonds. An additional objective of the refinancing program is to advance refund outstanding, noncallable Net Billed Bonds.

Information relating to the Project 1 Refunded Bonds and the Project 3 Refunded Bonds to be refunded with the proceeds of the Series 2003-C, D & E Bonds is set forth below.

Refunded Bonds

Prior Lien Refunded Bonds

Project	Series	Amount	Maturity (July 1)	Interest Rate	Redemption Date (July 1)	Redemption Price
1	1993A-1	\$47,980,000	2017	5.70 %	2003	102%
1	1993B-1	4,625,000	2010	5.70	2003	102
1	1993C-1	2,085,000	2009	5.30	2003	102
1	1993C-1	3,745,000	2010	5.30	2003	102
1	1993C-1	6,300,000	2011	5.40	2003	100
1	1993C-1 (ACES)	6,300,000	2011	5.40	2003	104
1	1993C-1 (FLOATERS)	26,900,000	2012	5.40	2003	100
1	1993C-1 (ACES)	26,900,000	2012	5.40	2003	104
1	1993C-1 (FLOATERS)	40,240,000	2013	5.375	2003	102
1	1993C-1	18,810,000	2014	5.375	2003	102
1	1993C-1	16,600,000	2015	5.375	2003	102
3	1993B-3	14,555,000	2012	5.625	2003	102
3	1993B-3	19,445,000	2017	5.60	2003	102
3	1993B-3	20,605,000	2018	5.70	2003	102
3	1993C-3	17,305,000	2009	5.30	2003	102
3	1993C-3	26,870,000	2010	5.30	2003	102
3	1993C-3	23,200,000	2011	5.40	2003	100
3	1993C-3 (ACES)	23,200,000	2011	5.40	2003	104
3	1993C-3 (FLOATERS)	51,710,000	2014	5.375	2003	102
3	1993C-3	85,845,000	2015	5.375	2003	102
3	1993C-3	11,415,000	2016	5.50	2003	102
3	1993C-3	4,940,000	2018	5.50	2003	102

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds

Proceeds of Series 2003-C, D & E Bonds	\$499,575,000
Proceeds of Project 1 2003-B Bonds	8,806,490
Proceeds of Project 3 2003-B Bonds	11,857,620
Moneys Available under Prior Lien Bond Resolutions	<u>6,795,341</u>
 Total	 \$527,034,451

Uses of Funds

Deposits with the escrow trustee for the Project 1 2003-C Refunded Bonds	\$209,581,379
Deposits with the escrow trustee for the Project 3 2003-D Refunded Bonds	210,157,099
Deposits with the escrow trustee for the Project 3 2003-E Refunded Bonds.....	102,439,705
Costs of Issuance for Series 2003-C, D & E Bonds.....	<u>4,856,268</u>
 Total	 \$527,034,451

INCLUSION BY SPECIFIC REFERENCE

Portions of Energy Northwest’s 2003-A & B Official Statement, dated March 20, 2003, subject to the information contained elsewhere herein, are included in this Official Statement by specific reference, namely the information under the captions:

Security for the Net Billed Bonds (other than the information under the heading “Bond Insurance”)	
Energy Northwest	
The Bonneville Power Administration	
Appendix A-1	Federal System Audited Statements for the years ended September 30, 2002 and 2001
Appendix A-2	Federal System Unaudited Quarterly Report for the three months ended December 31, 2002
Appendix B	Audited Financial Statements of Energy Northwest Projects for the year ended June 30, 2002
Appendix E	Energy Northwest Participant Utility Share Fiscal Year 2003 Budgets
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

Any reference to the Series 2003-A Bonds or the Series 2003-B Bonds in the information incorporated herein by reference shall be read to be a reference to the Series 2003-C, D & E Bonds unless the context thereof clearly indicates that such information is only applicable to the Series 2003-A Bonds or the Series 2003-B Bonds. The 2003-A & B Official Statement is currently on file with each of the nationally recognized securities information repositories within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, and the Municipal Securities Rulemaking Board. The 2003-A & B Official Statement is also available at <http://delivery.i-dealprospectus.com/default.asp?id=%417%3e954%3d8%3c>.

DESCRIPTION OF THE SERIES 2003-C, D & E BONDS

The following is a summary of certain provisions of the Series 2003-C, D & E Bonds. The Series 2003-C Bonds will initially be issued as Auction Rate Securities (“ARS”) and the Series 2003-D Bonds and the Series 2003-E Bonds will initially be issued as bearing interest at a Weekly Interest Rate. Reference is made to the Series 2003-C Bonds, the Series 2003-D Bonds and the Series 2003-E Bonds for the complete text thereof and to the Supplemental Resolutions for a more detailed description of such provisions. The discussion herein is qualified by such reference. *This Official Statement provides information as of its date concerning the Series 2003-C, D & E Bonds bearing interest prior to conversion to another Interest Rate. Owners and prospective purchasers of the Series 2003-C, D & E Bonds should not rely on this Official Statement for information concerning the Series 2003-C, D & E Bonds in connection with any conversion of the Series 2003-C Bonds, the Series 2003-D Bonds or the Series 2003-E Bonds to another Interest Rate, but should look solely to any offering material used in connection with any such conversion.*

GENERAL

The Project 1 Electric Revenue Bond Resolution authorizes the issuance of Project 1 2003-C Bonds for the purpose of refunding Project 1 Prior Lien Bonds previously issued. The Project 3 Electric Revenue Bond Resolution authorizes the issuance of Project 3 2003-D Bonds and Project 3 2003-E Bonds for the respective purposes of refunding Project 3 Prior Lien Bonds.

The Series 2003-C, D & E Bonds will be issued in the aggregate principal amount of \$499,575,000 comprised of \$200,485,000 principal amount of 2003-C Bonds, \$201,065,000 principal amount of 2003-D Bonds, and \$98,025,000 principal amount of 2003-E Bonds. Each Subseries of the Series 2003-C Bonds, each Subseries of the Series 2003-D Bonds and the Series 2003-E Bonds will be prepared as one fully registered bond and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2003-C, D & E Bonds. Principal, premium, if any, and interest on the Series 2003-C, D & E Bonds and the Purchase Price of the Series 2003-C, D & E Bonds are payable by the Trustee to DTC, which is obligated in turn to remit such principal or Purchase Price, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Series 2003-C, D & E Bonds. See “DESCRIPTION OF THE SERIES 2003C, D & E BONDS – Book-Entry Only System; Transferability and Registration” herein.

There are a number of provisions in the Supplemental Resolutions relating to the terms of the Series 2003-D Bonds purchased by the Liquidity Facility Provider pursuant to the Liquidity Facility (the “Liquidity Facility Provider Bonds”) and the Series 2003-E Bonds purchased by the Credit Issuer pursuant to the Reimbursement Agreement (the “Bank Bonds”) which are not described in this Official Statement. All references to the terms of the Series 2003-D Bonds and the Series 2003-E Bonds in this Official Statement describe only Series 2003-D Bonds which are not owned by the Liquidity Facility Provider and only Series 2003-E Bonds which are not owned by the Credit Issuer unless expressly indicated herein.

Series 2003-C Bonds

The Series 2003-C Bonds will be dated the date of delivery thereof, and initially will bear interest at an Auction Rate, unless converted to another Interest Rate Period as described herein. The Series 2003-C Bonds will mature, subject to prior redemption, as provided on the inside cover of this Official Statement. Initially, the Auction Rate for the Series 2003-C-1-1 Bonds and the Series 2003-C-1-2 Bonds will be determined for generally successive 7-day Auction Periods and the Auction Rate for the Series 2003-C-1-3 Bonds and the Series 2003-C-1-4 Bonds will be determined for generally successive 35-day Auction Periods, in each case through the implementation of the Auction Procedures summarized under Appendix F — “Summary of Certain Provisions relating to the ARS” herein. While bearing interest at an Auction Rate, the Series 2003-C Bonds will be delivered in denominations of \$25,000 and any integral multiple of \$5,000 in excess thereof. The interest on the Series 2003-C Bonds while bearing interest at an Auction Rate will be payable on the Business Day immediately following each Auction Period commencing on the initial Interest Payment Date set forth on the inside cover page. The Auction Period for the Series 2003-C-1-1 Bonds and the Series 2003-C-1-2 Bonds may be changed to a 28-day Auction Period or a 35-day

Auction Period. The Auction Period for the Series 2003-C-1-3 Bonds and the Series 2003-C-1-4 Bonds may be changed to a 7-day Auction Period or a 28-day Auction Period.

Series 2003-D Bonds

The Series 2003-D Bonds will be dated the date of delivery thereof, and initially will bear interest at a Weekly Interest Rate, unless converted to another Interest Rate Period as described herein. The Series 2003-D Bonds will mature, subject to prior redemption, as provided on the inside cover of this Official Statement. Interest on the Series 2003-D Bonds bearing interest at a Weekly Interest Rate will be payable on the first Wednesday of each month, commencing May 7, 2003, or the next succeeding Business Day if any Wednesday is not a Business Day, with the same force and effect as if made on such Wednesday. Interest will be determined and adjusted as described herein. While bearing interest at a Weekly Interest Rate, the Series 2003-D Bonds will be delivered in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof.

Series 2003-E Bonds

The Series 2003-E Bonds will be dated the date of delivery thereof, and initially will bear interest at a Weekly Interest Rate, unless converted to another Interest Rate Period as described herein. The Series 2003-E Bonds will mature, subject to prior redemption, as provided on the inside cover of this Official Statement. Interest on the Series 2003-E Bonds bearing interest at a Weekly Interest Rate will be payable on the first Wednesday of each month, commencing May 7, 2003, or the next succeeding Business Day if any Wednesday is not a Business Day, with the same force and effect as if made on such Wednesday. Interest will be determined and adjusted as described herein. While bearing interest at a Weekly Interest Rate, the Series 2003-E Bonds will be delivered in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof.

INTEREST PROVISIONS

General

Except with respect to any Series 2003-C, D & E Bonds of a Subseries or Series that bear interest as fixed rate instruments and except with respect to Liquidity Facility Provider Bonds or Bank Bonds, the interest rate and Interest Rate Period on and for the Series 2003-C, D & E Bonds of a Subseries or Series may be adjusted as set forth in the applicable Supplemental Resolution. Except while the Series 2003-C, D & E Bonds of a Subseries or Series bear interest at Bond Interest Term Rates, all bonds of such Subseries or Series will bear the same interest rate for the same Interest Rate Period.

No Series 2003-C, D & E Bond will, at any time, bear interest in excess of 12% per annum except, as provided in the applicable Supplemental Resolution, the interest rate paid by Energy Northwest on Liquidity Facility Provider Bonds pursuant to any Liquidity Facility or Bank Bonds pursuant to the Reimbursement Agreement will not exceed the Maximum Bank Bond Interest Rate.

Payment of Interest

Except with respect to Liquidity Facility Provider Bonds or Bank Bonds, interest on the Series 2003-C, D & E Bonds will be paid on each Interest Payment Date and redemption date and on the Maturity Date therefor. Interest Payment Date means, with respect to Series 2003-C Bonds, the Business Day immediately following each Auction Period. Interest Payment Date means with respect to each Subseries of the Series 2003-D Bonds and the Series 2003-E Bonds, the first Wednesday of each calendar month, or, if the first Wednesday is not a Business Day, the next succeeding Business Day, with the same force and effect as if made on such Wednesday.

Interest Accrual and Payment

Interest with respect to the Series 2003-C Bonds shall accrue on the basis of a 360-day year for the actual number of days elapsed. Interest on each Subseries of the Series 2003-D Bonds and the Series 2003-E Bonds will

accrue on the basis of the actual number of days elapsed during the Interest Rate Period and a year of 365 days (366 days in a leap year).

The Series 2003-C, D & E Bonds of a Subseries or a Series will bear interest from and including the Interest Accrual Date immediately preceding the date of authentication thereof or, if such date of authentication is an Interest Accrual Date to which interest on such Subseries or Series has been paid in full or duly provided for, from such date of authentication or, if it is the first payment of interest on such Subseries or Series, the date thereof. However, if, as shown by the records of the Trustee, interest on the Series 2003-C, D & E Bonds of a Subseries or a Series is in default, Series 2003-C, D & E Bonds issued in exchange for such Series 2003-C, D & E Bonds surrendered for registration of transfer or exchange will bear interest from the date to which interest has been paid in full on the Series 2003-C, D & E Bonds so surrendered or, if no interest has been paid on the Series 2003-C, D & E Bonds, from the date thereof.

Interest with respect to the Series 2003-C Bonds will be payable on the Business Day immediately following each Auction Period (“ARS Interest Payment Date”) for the period commencing on (and including) the date of delivery of the Series 2003-C Bonds and thereafter from and including the immediately preceding Interest Payment Date and ending on the day immediately preceding such Interest Payment Date.

Interest on each Subseries of the Series 2003-D Bonds and the Series 2003-E Bonds will be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date and ending the day immediately preceding such Interest Payment Date (or, if sooner, the last day of the Weekly Interest Rate Period). Interest Accrual Date for any Weekly Interest Rate Period for any Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds means the first day thereof and, thereafter, the first Wednesday of each month.

In any event, interest on the Series 2003-C, D & E Bonds of each Subseries or Series will be payable for the final Interest Rate Period to but not including the date on which the Series 2003-C, D & E Bonds of such Subseries or Series have been paid in full.

INTEREST RATE PERIODS

Series 2003-C Bonds Auction Rate

The Series 2003-C Bonds of each Subseries will bear interest at rates (the “Applicable ARS Rate”) established pursuant to the Auction Procedures described in Appendix F — “Summary of Certain Provisions relating to the ARS” herein. The Applicable ARS Rate for each Subseries of the Series 2003-C Bonds will be determined separately. An “ARS Interest Period” begins on and includes an ARS Interest Payment Date and ends on and includes the day immediately preceding the next succeeding ARS Interest Payment Date but excludes the next succeeding ARS Interest Payment Date. The first ARS Interest Period commences on the date of original delivery of the ARS. The Applicable ARS Rate will not exceed the ARS Maximum Rate (as defined in Appendix F). Interest with respect to ARS will be computed on the basis of a 360-day year for the actual number of days elapsed during the applicable ARS Interest Period. The Auction Procedures may be canceled or suspended by the Bank of New York (the “Auction Agent”) upon the occurrence of certain events, including a failed conversion to another Interest Rate Period or a default in the payment of the principal of and interest with respect to the applicable ARS by Energy Northwest and the related Bond Insurer (an “ARS Payment Default”). See Appendix F — “Summary of Certain Provisions relating to the ARS.”

If an ARS Payment Default shall have occurred, the Applicable ARS Rate for the ARS Interest Period commencing on or immediately after such ARS Payment Default and for each ARS Interest Period thereafter, to and including the ARS Interest Period, if any, during which, or commencing less than two Business Days after, such ARS Payment Default is cured in accordance with the Supplemental Resolutions, shall equal the lesser of (i) 300% of the Index on such date, as such percentage may be adjusted pursuant to the applicable Supplemental Resolution, or (ii) 12% per annum; provided, that in no event shall such amount be more than the Maximum Lawful Rate (“Non Payment Rate”); and provided further that if an Auction occurred on the Business Day immediately preceding any such ARS Interest Period, the Non Payment Rate for such ARS Interest Period shall apply. If the ARS are no longer book-entry certificates, the Applicable ARS Rate for any ARS Interest Period commencing after the delivery of

certificates representing the ARS shall equal the ARS Maximum Rate. See “DESCRIPTION OF THE SERIES 2003C, D & E BONDS – Book-Entry Only System; Transferability and Registration” herein and Appendix F — “Summary of Certain Provisions relating to the ARS.”

During an ARS Interest Rate Period the Beneficial Owner of ARS may sell, transfer or dispose of ARS only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or through a Broker-Dealer. See “Appendix F — Summary of Certain Provisions relating to the ARS” herein. The ability to sell ARS in an Auction may be adversely affected if there are not sufficient buyers willing to purchase all the ARS at a rate equal to or less than the ARS Maximum Rate. The Broker-Dealers have advised Energy Northwest that they intend initially to make a market in the Series 2003-C Bonds of a Subseries between Auctions; however, the Broker-Dealers are not obligated to make such markets, and no assurance can be given that secondary markets therefor will develop.

Series 2003-C Broker-Dealers

Goldman, Sachs & Co. (“Goldman”), Salomon Smith Barney Inc. (“Salomon Smith Barney”) and J.P. Morgan Securities Inc. (“JPMorgan,” and together with Goldman and Salomon Smith Barney, the “Broker-Dealers” or each individually, a “Broker-Dealer”) have each been appointed to serve as a Broker-Dealer for each Subseries of the Series 2003-C Bonds. Goldman, Salomon Smith Barney and JPMorgan will each carry out the duties and obligations provided for the Broker-Dealer under and in accordance with the provisions of the respective Broker-Dealer Agreements, each dated as of April 1, 2003, by and among each Broker-Dealer, Energy Northwest and the Auction Agent, executed in connection with the Series 2003-C Bonds. The principal office of Goldman (for purposes of its responsibilities as Broker-Dealer) is 85 Broad Street, 26th Floor, New York, New York 10004. The principal office of Salomon Smith Barney (for purposes of its responsibilities as Broker-Dealer) is 390 Greenwich Street, 5th Floor, New York, New York 10013, Attention: Auction Rate Trading. The principal office of JPMorgan (for purposes of its responsibilities as Broker-Dealer) is 270 Park Avenue, 48th Floor, New York, New York 10017.

Energy Northwest may, from time to time, appoint one or more additional Persons to serve as Broker-Dealers. Any Broker-Dealer may be removed at any time, at the written request of Energy Northwest, such removal not to take effect until a successor has been installed.

Series 2003-C Auction Agent

The Bank of New York will serve as the initial Auction Agent for each Subseries of the Series 2003-C Bonds pursuant to the Auction Agent Agreement, dated as of April 1, 2003, between the Trustee and The Bank of New York. The Auction Agent may resign or be removed as provided in the Project 1 2003-C Supplemental Resolution.

Series 2003-D Bonds and Series 2003-E Bonds Weekly Interest Rate

Each Subseries of the Series 2003-D Bonds and the Series 2003-E Bonds will bear interest at the Weekly Interest Rate, which will be determined by the applicable Remarketing Agent by 5:00 p.m., New York City time, on Tuesday of each week during the Weekly Interest Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate for each Weekly Interest Rate Period will be determined on or prior to the first day of such Weekly Interest Rate Period and will apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on and including the next succeeding Tuesday. Thereafter, each Weekly Interest Rate will apply to the period commencing on and including Wednesday and ending on and including the next succeeding Tuesday, unless such Weekly Interest Rate Period ends on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period will apply to the period commencing on and including the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on and including the last day of such Weekly Interest Rate Period.

Each Weekly Interest Rate will be the rate of interest per annum determined by the applicable Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of such Remarketing Agent, to the Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds and known by such Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne

by the Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds, would enable such Remarketing Agent to sell all of the Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds on the effective date of that rate at a price (without regard to accrued interest) equal to the principal amount thereof. The interest rate for each Subseries of the Series 2003-D Bonds and the Series 2003-E Bonds will be determined separately. The initial Weekly Interest Rate will be set forth in a certificate of Energy Northwest delivered at the issuance of the Series 2003-D Bonds and the Series 2003-E Bonds and will apply to the period commencing on the date of delivery of the Series 2003-D Bonds and the Series 2003-E Bonds and ending on and including the next succeeding Tuesday.

If the applicable Remarketing Agent fails to establish a Weekly Interest Rate for any week with respect to any Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds bearing interest at such rate, then the Weekly Interest Rate for such week will be the same as the immediately preceding Weekly Interest Rate if such Weekly Interest Rate was determined by such Remarketing Agent. If the immediately preceding Weekly Interest Rate was not determined by the applicable Remarketing Agent, or if the Weekly Interest Rate determined by such Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Interest Rate for such week, as determined by such Remarketing Agent, will be equal to 100% of the BMA Municipal Swap Index of Municipal Market Data, a Thomson Financial Services Company, or its successors and assigns, made available for the week preceding the date of determination, or if such index is no longer available, 70% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day such Weekly Interest Rate would otherwise be determined as provided herein for such Weekly Interest Rate Period.

Series 2003-D Remarketing Agents

The initial Remarketing Agent for the Series 2003-D-3-1 Bonds will be Salomon Smith Barney Inc. The initial Remarketing Agent for the Series 2003-D-3-2 Bonds will be Goldman, Sachs & Co. The Remarketing Agents must use their best efforts to remarket the applicable Subseries of the Series 2003-D Bonds, as the case may be, tendered for purchase pursuant to the terms of the related Supplemental Resolution. The Remarketing Agents shall have no obligation to remarket the respective Subseries of the Series 2003-D Bonds tendered for purchase after a reduction in the ratings of the Series 2003-D Bonds, or upon the occurrence of certain other events set forth in the Remarketing Agreements. The Remarketing Agents may at any time resign by giving prior written notice to Energy Northwest, the Trustee, the Tender Agent, the applicable Bond Insurer and the Liquidity Facility Provider. Such resignation will take effect on the 45th day after receipt by Energy Northwest of the notice of resignation. A Remarketing Agent may be removed at any time, at the direction of Energy Northwest, upon 45 days' prior written notice.

Series 2003-E Remarketing Agent

The initial Remarketing Agent for the Series 2003-E Bonds will be JPMorgan. The Remarketing Agent must use its best efforts to remarket the Series 2003-E Bonds tendered for purchase pursuant to the terms of the related Supplemental Resolution. The Remarketing Agent shall have no obligation to remarket the Series 2003-E Bonds tendered for purchase after a reduction in the ratings of the Series 2003-E Bonds, or upon the occurrence of certain other events set forth in the Remarketing Agreement relating to the Series 2003-E Bonds. The Remarketing Agent may at any time resign by giving prior written notice to Energy Northwest, the Trustee and the Tender Agent. Such resignation shall take effect on the 45th day after receipt by Energy Northwest of the notice of resignation. The Remarketing Agent may be removed at any time, at the direction of Energy Northwest, upon 45 days' prior written notice.

CONVERSION OF INTEREST RATE PERIODS

At the direction of Energy Northwest, from time to time, the Series 2003-C, D & E Bonds of a Subseries or Series may be converted from an Interest Rate Period to another Interest Rate Period as provided in the Supplemental Resolutions.

Notice Upon Converting Interest Rate

If Energy Northwest elects to convert the interest rate on the Series 2003-C, D & E Bonds of a Subseries or Series to a Weekly Interest Rate, a Daily Interest Rate, a Long-Term Interest Rate, Bond Interest Term Rates or ARS Interest Rate as provided in the Supplemental Resolutions, the written direction furnished by Energy Northwest will specify whether the Series 2003-C, D & E Bonds of a Subseries or Series are to bear interest at the Weekly Interest Rate, Daily Interest Rate, Long-Term Interest Rate, Bond Interest Term Rates or the Applicable ARS Rate and will be accompanied by a copy of the notice required to be given by the Trustee pursuant to the Supplemental Resolutions, as the case may be and a Favorable Opinion of Bond Counsel. See “DESCRIPTION OF THE SERIES 2003-C, D & E BONDS – Purchase of the Series 2003-C, D & E Bonds - Mandatory Tender of the Series 2003-C, D & E Bonds of a Subseries or a Series for Purchase on First Day of Each Interest Rate Period” herein.

Rescission of Election

In connection with any conversion of the Interest Rate Period for the Series 2003-C, D & E Bonds of a Subseries or Series, Energy Northwest shall have the right to deliver to the Trustee, the Remarketing Agent (if any), the Tender Agent (if any), the Liquidity Facility Provider (if any), the Credit Issuer (if any), Broker-Dealer (if any), and Auction Agent (if any) on or prior to 10:00 a.m., New York City time, on the second Business Day prior to any such Conversion, a notice to the effect that Energy Northwest elects to rescind its election to make such Conversion. If Energy Northwest rescinds its election to make such Conversion, then the Interest Rate Period shall not be Converted and the Series 2003-C, D & E Bonds of such Subseries or Series shall continue to bear interest at the Interest Rate as in effect immediately prior to such proposed conversion. In any event, if notice of a Conversion has been mailed to the Owners of the Series 2003-C, D & E Bonds of such Subseries or Series as provided in the applicable Supplemental Resolution and Energy Northwest rescinds its election to make such Conversion, then the Series 2003-C, D & E Bonds of such Subseries or Series (except ARS) shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in the applicable Supplemental Resolution.

Certain Additional Conditions

No Conversion of a Subseries or a Series of a Series 2003-C, D & E Bonds from one Interest Rate Period to another will take effect unless each of the following conditions, to the extent applicable, has been satisfied.

- (1) Energy Northwest shall have obtained and provided to the Trustee the written consent of the applicable Bond Insurer with respect to a Subseries of the Series 2003-D Bonds.
- (2) The Trustee shall have received a Favorable Opinion of Bond Counsel with respect to such Conversion.

Failure to Meet Conditions

In the event that any condition to the Conversion of the Series 2003-C, D & E Bonds of a Subseries or Series shall not have been satisfied as provided in the applicable Supplemental Resolution, then the Interest Rate Period will not be converted and (x) the Series 2003-C, D & E Bonds of such Subseries or Series will continue to bear interest at the Weekly Interest Rate, Daily Interest Rate, Long-Term Interest Rate (for a Long-Term Interest Rate Period of 181 days) or Bond Interest Term Rates, as the case may be, as in effect immediately prior to such proposed Conversion, (y) if the Subseries or Series of Series 2003-C, D & E Bonds were ARS immediately prior to such proposed Conversion, then such Subseries or Series shall remain ARS and shall bear interest at the ARS Maximum Rate for the immediately ensuing ARS Interest Period and the ARS Auction Period will be the same as the preceding ARS Auction Period. Such Subseries or Series (except ARS) will continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in the Supplemental Resolutions had the failure to meet conditions not occurred.

PURCHASE OF THE SERIES 2003-C, D & E BONDS

Optional Tender of Series 2003-D Bonds and Series 2003-E Bonds By Owner

Any Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds (other than Liquidity Facility Provider Bonds or Bank Bonds) will be purchased in an Authorized Denomination (provided that the amount of any such Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds not to be purchased will also be in an Authorized Denomination) from its Owner at the option of the Owner on any Business Day at a purchase price equal to the Purchase Price, payable in immediately available funds, upon delivery to the applicable Remarketing Agent and the Tender Agent at its Corporate Trust Office for delivery of the Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds and to the Trustee at its Corporate Trust Office of an irrevocable written notice which states the principal amount of such Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds, the principal amount thereof to be purchased and the date on which the same will be purchased, which date will be a Business Day not prior to the seventh day after the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, will be deemed to have been received on the next succeeding Business Day. For payment of the Purchase Price on the Purchase Date, such Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds must be delivered at or prior to 10:00 a.m., New York City time, on the Purchase Date to the Tender Agent at its Corporate Trust Office for delivery of Series 2003-D Bonds and Series 2003-E Bonds accompanied by an instrument of transfer, in form satisfactory to the Tender Agent executed in blank by the Bondowner or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company, or member firm of the New York Stock Exchange.

When the Book-Entry System is in effect, any Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds or portion thereof (provided that the principal amount of such Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds to be purchased and the principal amount to be retained will each be an Authorized Denomination) will be purchased on the date specified in the notice referred to below at the Purchase Price. The irrevocable written notice, executed by the Participant, will be delivered on any Business Day by the Participant for such Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds to the applicable Remarketing Agent and the Tender Agent at its Corporate Trust Office for the delivery of such Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds, and to the Trustee at its Corporate Trust Office. That notice will state the principal amount of such Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds, the portion thereof to be purchased and the date on which the same will be purchased, which date will be a Business Day at least seven days after the date of delivery of such notice to the Trustee. Upon confirmation by the Securities Depository to the Trustee that such Participant has an ownership interest in the Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds at least equal to the amount of the Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds specified in such irrevocable written notice, payment of the Purchase Price of such Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds will be made by 3:00 p.m., New York City time, or as soon as practicably possible thereafter, upon the receipt by the Trustee of the Purchase Price of par, plus accrued interest, on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Subseries of the Series 2003-D Bonds or the Series 2003-E Bonds tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 10:00 a.m., New York City time, on the date specified in such notice.

Mandatory Tender of the Series 2003-C, D & E Bonds of a Subseries or a Series for Purchase on First Day of Each Interest Rate Period

Each Subseries of the Series 2003-C Bonds will be subject to mandatory tender for purchase on the first day of each Interest Rate Period, at the Purchase Price, payable in immediately available funds; provided, however that in a case of any failed Conversion of ARS no mandatory purchase shall occur. Each Subseries of the Series 2003-D Bonds and the Series 2003-E Bonds will be subject to mandatory tender for purchase on the first day of each Interest Rate Period (or on the day which would have been the first day of an Interest Rate Period had the Conversion to such Interest Rate Period not failed to occur), at the Purchase Price, payable in immediately available funds. See "DESCRIPTION OF THE SERIES 2003-C, D & E BONDS – Conversion of Interest Rate Periods" herein. For payment of the Purchase Price on the Purchase Date, a Series 2003-C, D & E Bond of such Subseries or Series must be delivered at or prior to 10:00 a.m., New York City time, on the Purchase Date. If delivered after that time, the Purchase Price will be paid on the next succeeding Business Day.

Mandatory Tender of the Series 2003-D Bonds of a Subseries or the Series 2003-E Bonds for Purchase Upon Substitution, Termination or Expiration of Liquidity Facility or Letter of Credit; Mandatory Tender of the Series 2003-D Bonds of a Subseries Upon the Provision of an Alternate Insurance Policy

The Series 2003 D Bonds and the 2003-E Bonds will be subject to mandatory tender for purchase at the Purchase Price, payable in immediately available funds, (i) on the date of substitution of the Liquidity Facility or Letter of Credit, and (ii) at least 5 days prior to the termination or expiration of the term, as extended, of the Liquidity Facility or Letter of Credit without a substitute, including but not limited to termination at the option of Energy Northwest in accordance with the terms of such Liquidity Facility or Letter of Credit. The Series 2003-D Bonds are also subject to mandatory tender for purchase at the Purchase Price, payable in immediately available funds, on the effective date of the provision of an Alternate Insurance Policy (as hereinafter defined) with respect to any Subseries of the Series 2003-D Bonds. In addition, upon the occurrence of certain events of default or termination under the Liquidity Facility, the Liquidity Facility Provider may direct the mandatory tender of the Series 2003-D Bonds and upon the occurrence of certain events of default under the Reimbursement Agreement, the Credit Issuer may direct the mandatory tender of the Series 2003-E Bonds. *Upon the occurrence of any of the events specified in the Liquidity Facility that gives rise to an automatic termination or suspension of the Liquidity Facility by the Liquidity Facility Provider, no mandatory tender for purchase of the Series 2003-D Bonds of a Subseries or the Series 2003-E Bonds shall occur.* See Appendix G – “Summary of Certain Provisions of the Letter of Credit and the Reimbursement Agreement,” Appendix H-1 – “Summary of Certain Provisions of the Series 2003-D-3-1 Standby Bond Purchase Agreement” and H-2 – “Summary of Certain Provisions of the Series 2003-D-3-2 Standby Bond Purchase Agreement.”

Payment of the Purchase Price of any such Subseries of the Series 2003-D Bonds or such Series 2003-E Bonds will be made in immediately available funds by 3:00 p.m., New York City time, on the Purchase Date upon delivery of such Subseries of the Series 2003-D Bonds or such Series 2003-E Bonds to the Tender Agent at its Corporate Trust Office for delivery of Series 2003-D Bonds or Series 2003-E Bonds on or prior to 12:00 noon, New York City time, on the Purchase Date specified in the mandatory tender provisions of the Supplemental Resolutions. If, as a result of any such Mandatory Standby Tender, substitution, expiration or termination of such a Liquidity Facility, any Subseries of the Series 2003-D Bonds or Series 2003-E Bonds is no longer subject to purchase pursuant to a Liquidity Facility, the Tender Agent will present such Subseries of the Series 2003-D Bonds or such Series 2003-E Bonds to the Trustee for notation of such fact thereon.

Notice of Mandatory Tender for Purchase

The Trustee shall give notice by mail to the holders of the Series 2003-C, D & E Bonds secured by a Liquidity Facility or Letter of Credit (i) on or before the 15th day preceding the replacement, termination or expiration of such Liquidity Facility or Letter of Credit in accordance with its terms or on or before the 15th day preceding the effective date of an Alternate Insurance Policy, or (ii) in the case of any Mandatory Standby Tender at the direction of the Liquidity Facility Provider or the Credit Issuer, at least 15 days prior to the Purchase Date (or if it is impractical to give at least 15 days notice, then such notice as is reasonably practicable, but at least one Business Days’ notice). In connection with any mandatory tender for purchase of Series 2003-C, D & E Bonds of a Subseries or Series in accordance with the applicable Supplemental Resolution, the Trustee will give notice to the Owners of the Series 2003-C, D & E Bonds of such Subseries or Series stating (i) in the case of a mandatory tender for purchase because of an interest rate mode Conversion, the type of Interest Rate Period to commence on such mandatory Purchase Date; (ii) in the case of a mandatory tender because the Liquidity Facility or the Letter of Credit will expire or terminate, that the Liquidity Facility or Letter of Credit will expire or terminate and that the Series 2003-C, D & E Bonds of such Subseries or Series will no longer be payable from the Liquidity Facility or Letter of Credit then in effect and that any rating applicable to the Series 2003-C, D & E Bonds of such Subseries or Series may be reduced or withdrawn and, in the case of a substitution, the name of the new Liquidity Facility Provider or Credit Issuer and that information about such new Liquidity Facility Provider or Credit Issuer will be forthcoming; (iii) in the case of a mandatory tender because of an Alternate Insurance Policy, the name of the bond insurer providing such Alternate Insurance Policy and that information about such bond insurer will be forthcoming; (iv) that the Purchase Price of any Series 2003-C, D & E Bonds of such Subseries or Series subject to mandatory tender for purchase will be payable only upon surrender of a Series 2003-C, D & E Bond of such Subseries or Series to the Tender Agent at its Corporate Trust Office for delivery of Series 2003-C, D & E Bonds of such Subseries or

Series; (v) that, provided that moneys sufficient to effect such purchase shall have been provided through the remarketing of such Series 2003-C, D & E Bonds of such Subseries or Series by the Remarketing Agent or through the Liquidity Facility or the Letter of Credit, if applicable, all Series 2003-C, D & E Bonds of such Subseries or Series subject to mandatory tender for purchase will be purchased on the mandatory Purchase Date; and (vi) that if any Owner of a Series 2003-C, D & E Bond of such Subseries or Series subject to mandatory tender for purchase does not surrender that Series 2003-C, D & E Bond of such Subseries or Series to the Tender Agent for purchase on the mandatory Purchase Date, then that Series 2003-C, D & E Bond will be deemed to be an Undelivered Bond, that no interest will accrue on that Series 2003-C, D & E Bond of such Subseries or Series on and after the mandatory Purchase Date and that the owner will have no rights under the Supplemental Resolutions other than to receive payment of the Purchase Price. For details regarding the Standby Bond Purchase Agreements, including events of termination, see Appendix H-1 – “Summary of Certain Provisions of the Series 2003-D-3-1 Standby Bond Purchase Agreement” and H-2 – “Summary of Certain Provisions of the Series 2003-D-3-2 Standby Bond Purchase Agreement.” For details regarding Dexia Crédit Local, New York Agency, see Appendix D — “Dexia Crédit Local, New York Agency.”

Sources and Deposits of Purchase Price for the Series 2003-C, D & E Bonds

Series 2003-C, D & E Bonds of a Series or Subseries required to be purchased shall be purchased from the owners thereof, on the date on which such Series or Subseries are required to be purchased pursuant to the applicable Resolution (the “Tender Date”) and at the Purchase Price. Funds for the payment of the Purchase Price shall be received by the Tender Agent from the following sources and used in the order of priority indicated:

- (i) remarketing proceeds of the sale of Series 2003-C Bonds, Series 2003-D Bonds or the Series 2003-E Series, as applicable, and furnished to the Tender Agent by the Remarketing Agent for deposit into the applicable Remarketing Account of the Bond Purchase Fund;
- (ii) money furnished by the applicable Liquidity Facility Provider or the Credit Issuer, as applicable, with respect to the Series 2003-D Bonds or the Series 2003-E Series, to the Tender Agent for deposit into the applicable Liquidity Facility Purchase Account of the Bond Purchase Fund; and
- (iii) money, if any, furnished by Energy Northwest at its option to the Tender Agent for deposit into the applicable Energy Northwest Purchase Account of the Bond Purchase Fund for the purchase of Series 2003-C, D & E Bonds of a Series or Subseries by Energy Northwest.

If all or a portion of the Series 2003-D Bonds or Series 2003-E Bonds, as applicable, tendered for purchase cannot be remarketed and the Liquidity Facility Provider or the Credit Issuer, as applicable fails to purchase all or any part of the unremarketed portion of such tendered Series 2003-D or Series 2003-E Bonds, in accordance with the applicable Liquidity Facility on a Tender Date, Energy Northwest may at its option, but shall not be obligated to, pay to the Tender Agent as soon as practicable on a Tender Date immediately available funds (together with any remarketing proceeds and any funds provided under the Liquidity Facility) sufficient to pay the Purchase Price on such Bonds tendered for purchase.

If sufficient funds are not available for the purchase of all Series 2003-C Bonds of a Subseries tendered and required to be purchased on any Purchase Date, all such Series 2003-C Bonds shall bear interest at the ARS Maximum Rate for the immediately ensuing ARS Auction Period and the ARS Auction Period will be the same as the preceding ARS Auction Period and shall be returned to their respective owners. If sufficient funds are not available for the purchase of all Series 2003-D Bonds of a Subseries or Series 2003-E Bonds tendered and required to be purchased on any Purchase Date, all such Series 2003-D Bonds and Series 2003-E Bonds shall bear interest at the BMA Index plus three percent from the date of such failed purchase until all such Series 2003-D Bonds and Series 2003-E Bonds are purchased as required in accordance with the applicable Supplemental Resolution, and, if applicable, shall be returned to their respective owners. Notwithstanding any other provision of the applicable Supplemental Resolution, such failed purchase and return shall not constitute an Event of Default. Thereafter, the Trustee shall continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the Liquidity Facility Provider or the Credit Issuer, as applicable. Any obligation of the Remarketing Agent, Liquidity Facility Provider or the Credit Issuer, as applicable to cause the deposit of such funds from remarketing proceeds or proceeds of the Liquidity Facility or the Credit Issuer, as applicable, respectively, shall remain enforceable pursuant to the applicable Supplemental Resolution, and such

obligation shall only be discharged at such time as funds are deposited with the Trustee in an amount sufficient to purchase all such Series 2003-C, D & E Bonds of a Series or Subseries, together with any interest which has accrued on such Bonds to the subsequent actual purchase date.

Series 2003-D Liquidity Facility

As described herein, the Series 2003-D Bonds are to be purchased upon a mandatory tender or on the demand of the beneficial owner thereof at a price of 100% of the principal amount plus accrued interest, if any. The initial “Liquidity Facility” with respect to each Subseries of the Series 2003-D Bonds is a standby bond purchase agreement (the “Standby Bond Purchase Agreement”) among Energy Northwest, the Trustee and Dexia Crédit Local, New York Agency (the “Liquidity Facility Provider”) to provide for the purchase of tendered Series 2003-D Bonds of such Subseries which are not remarketed. The term of the Standby Bond Purchase Agreement relating to each Subseries of Series 2003-D Bonds is through April 10, 2008, subject to extension and earlier termination in accordance with its terms. The related Standby Bond Purchase Agreement does not secure any payments on any Series 2003-D Bonds other than the purchase price of Series 2003-D Bonds of the particular Subseries to which it relates which are tendered and not remarketed. **Under certain circumstances, the obligations of the Liquidity Facility Provider under the Standby Bond Purchase Agreement may be terminated without notice and without opportunity for tender.** For details regarding the Standby Bond Purchase Agreements, including events of termination, see Appendix H-1 – “Summary of Certain Provisions of the Series 2003-D-3-1 Standby Bond Purchase Agreement” and H-2 – “Summary of Certain Provisions of the Series 2003-D-3-2 Standby Bond Purchase Agreement.” For details regarding Dexia Crédit Local, New York Agency, see Appendix D — “Dexia Crédit Local, New York Agency.”

Alternate Liquidity Facilities

Not later than 15 days prior to the expiration or termination of a Liquidity Facility relating to any Subseries of the Series 2003-D Bonds, in accordance with the terms of that Liquidity Facility and upon the written consent of the applicable Bond Insurer, Energy Northwest may provide for the delivery to the Tender Agent of an Alternate Liquidity Facility (as defined in the applicable Supplemental Resolution) which has a term of at least 364 days. Any Alternate Liquidity Facility delivered to the Tender Agent pursuant to this paragraph shall contain administrative provisions reasonably acceptable to the Tender Agent, the applicable Remarketing Agent and the applicable Bond Insurer. On or prior to the date of the delivery of the Alternate Liquidity Facility to the Tender Agent, Energy Northwest shall furnish to the Tender Agent (A) if the Alternate Liquidity Facility is issued by a Liquidity Facility Provider other than a domestic commercial bank (except as provided in the applicable Supplemental Resolution), an opinion of Counsel reasonably satisfactory to the Tender Agent, the applicable Remarketing Agent (if any) and the applicable Bond Insurer that no registration of the Alternate Liquidity Facility is required under the Securities Act, and no qualification of this Supplemental Resolution is required under the Trust Supplemental Resolution Act, or that all applicable registration or qualification requirements have been fulfilled and (B) an opinion of Counsel satisfactory to the Tender Agent, the applicable Remarketing Agent and the applicable Bond Insurer to the effect that such Alternate Liquidity Facility is a valid and enforceable obligation of the issuer thereof. See “DESCRIPTION OF THE SERIES 2003-C, D & E BONDS – Purchase of the Series 2003-C, D & E Bonds - Mandatory Tender of the Series 2003-D Bonds of a Subseries or the Series 2003-E Bonds for Purchase Upon Substitution, Termination or Expiration of Liquidity Facility or Letter of Credit; Mandatory Tender of the Series 2003-D Bonds of a Subseries Upon the Provision of an Alternate Insurance Policy” herein.

Alternate Insurance Policy

Energy Northwest may provide for the delivery to the Trustee of an alternate insurance policy satisfying the requirements of the applicable Supplemental Resolution providing for the payment when due of the principal of and interest on the applicable Series or Subseries of Bonds (the “Alternate Insurance Policy”). On or prior to the date of the delivery of the Alternate Insurance Policy to the Trustee, Energy Northwest shall furnish to the Trustee an opinion of Counsel satisfactory to the Trustee, the applicable Remarketing Agent and the applicable Liquidity Facility Provider to the effect that the Alternate Insurance Policy is a valid and enforceable obligation of the issuer thereof. See “DESCRIPTION OF THE SERIES 2003-C, D & E BONDS – Purchase of the Series 2003-C, D & E Bonds - Mandatory Tender of the Series 2003-D Bonds of a Subseries or the Series 2003-E Bonds for Purchase

Upon Substitution, Termination or Expiration of Liquidity Facility or Letter of Credit; Mandatory Tender of the Series 2003-D Bonds of a Subseries Upon the Provision of an Alternate Insurance Policy” herein.

Series 2003-E Letter of Credit

The principal of, interest on and purchase price of the Series 2003-E Bonds are payable from the funds drawn under an irrevocable direct pay letter of credit (the “Letter of Credit”) issued in favor of the Trustee by JPMorgan Chase Bank (the “Credit Issuer”), until their stated expiration date of April 10, 2006, unless terminated earlier or extended in accordance therewith as described herein. For certain information regarding the Credit Issuer furnished by the Credit Issuer for inclusion in this Official Statement, see Appendix E— “JPMorgan Chase Bank.”

The Letter of Credit may be replaced with other forms of credit enhancement. See “DESCRIPTION OF THE SERIES 2003-C, D & E BONDS - Series 2003-E Bonds–Alternate Security” in this Official Statement.

Concurrently with, as a condition precedent to, the issuance of the Series 2003-E Bonds, Energy Northwest will cause to be delivered to the Trustee for the Series 2003-E Bonds the Letter of Credit. The Letter of Credit shall be issued pursuant to the provisions of a Reimbursement Agreement, dated as of the date of initial issuance of the Series 2003-E Bonds, and entered into between Energy Northwest and the Credit Issuer (the “Reimbursement Agreement”). The Letter of Credit will permit the Trustee to draw up to (i) an amount equal to the aggregate principal amount of the Series 2003-E Bonds then outstanding plus (ii) an amount equal to at least 35 days of interest at the maximum rate of twelve percent (12%) per annum on the outstanding the Series 2003-E Bonds in order to pay the principal or Purchase Price (as hereinafter defined) of, and interest on, the Series 2003-E Bonds. See “DESCRIPTION OF THE SERIES 2003-C, D & E BONDS – Series 2003 E Bonds – Letter of Credit,” Appendix E— “JPMorgan Chase Bank” and Appendix G hereto, “Summary of Certain Provisions of the Letter of Credit and the Reimbursement Agreement.”

Amounts payable to the Credit Issuer are secured on a parity with the Series 2003-E Bonds.

Alternate Security

The Letter of Credit may be replaced with another letter of credit or with a substitute Letter of Credit or various other forms of credit enhancement (“Alternate Security”; the Letter of Credit or Alternate Security being herein referred to as the “Credit Facility”) or upon conversion to the Long-Term, Energy Northwest may elect to provide no Credit Facility. Upon termination or expiration of the Letter of Credit without a replacement or upon replacement of a Letter of Credit, the Series 2003-E Bonds are subject to mandatory tender. See “DESCRIPTION OF THE SERIES 2003-C, D & E BONDS – Purchase of the Series 2003-C, D & E Bonds – Mandatory Tender of the Series 2003-D Bonds of a Subseries or the Series 2003-E Bonds for Purchase Upon Substitution, Termination or Expiration of Liquidity Facility or Letter of Credit; Mandatory Tender of the Series 2003-D Bonds of a Subseries Upon the Provision of an Alternate Insurance Policy” in this Official Statement.

Energy Northwest may not exercise its right to make provision for or cause the replacement or any Credit Facility, unless Energy Northwest has provided the Trustee with certain opinions as to, among other things, the effect on the tax status on the Bonds and the legality, validity and enforceability of the new Credit Facility.

REDEMPTION

Optional Redemption

Each Subseries of the Series 2003-C Bonds will be subject to redemption prior to maturity at the option of Energy Northwest in whole or in part in Authorized Denominations on any ARS Interest Payment Date by lot, at a redemption price equal to 100% of the principal amount of such Bonds to be redeemed, together with accrued interest to the redemption date.

While bearing interest at a Weekly Interest Rate, the Series 2003-D Bonds and the Series 2003-E Bonds will be subject to redemption prior to maturity at the option of Energy Northwest in whole or in part at any time, at a redemption price equal to 100% of the principal amount of such Bonds to be redeemed, together with accrued

interest to the redemption date. All Series 2003-D Bonds held by the Liquidity Facility Provider pursuant to the applicable Liquidity Facility are to be redeemed prior to any Series 2003-D Bonds. All Series 2003-E Bonds held by the Credit Issuer pursuant to the Reimbursement Agreement are to be redeemed prior to any Series 2003-E Bonds.

Mandatory Redemption

\$49,000,000 principal amount of the Series 2003-E Bonds maturing on July 1, 2017 are subject to mandatory redemption on July 1, 2016, and will be redeemed (to the extent not previously redeemed) at 100% of the principal amount, plus interest accrued to such redemption date.

The amount of mandatory redemptions prescribed above will be reduced to the extent Series 2003-E Bonds have been purchased or redeemed by Energy Northwest pursuant to the optional redemption provision set forth above, in such manner as Energy Northwest may direct, or absent such direction, on a pro rata basis.

Notice of Redemption

Each Supplemental Resolution requires that notice of redemption of the Series 2003-C, D & E Bonds is to be given by first-class mail or in such other manner as is required by the Supplemental Resolution (i) with respect to Series 2003-C, D & E Bonds bearing interest at a Daily Interest Rate, Weekly Interest Rate, Short-Term Interest Rate, Bond Interest Term Rate or ARS Interest Rate, not less than 15 days nor more than 30 days, and (ii) with respect to Series 2003-C, D & E Bonds bearing interest at a Long-Term Interest Rate, not less than 30 days nor more than 60 days, before the redemption date to the registered owners of the Series 2003-C, D & E Bonds which are to be redeemed. Such notice shall be deemed conclusively to be received by the registered owners of the Series 2003-C, D & E 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 2003-C, D & E Bonds being redeemed. Each Supplemental Resolution further provides that, notice of redemption having been given as described above, the Series 2003-C, D & E 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 2003-C, D & E Bonds to be redeemed, together with interest thereon to the redemption date, are held by the Paying Agent for such Series 2003-C, D & E Bonds on the redemption date.

BOOK-ENTRY ONLY SYSTEM; TRANSFERABILITY AND REGISTRATION

The Series 2003-C, D & E Bonds will be available to the ultimate purchasers in book-entry form only. Purchasers of the Series 2003-C, D & E Bonds will not receive certificates representing their interests in such Series 2003-C, D & E Bonds purchased, except as described in Appendix H to the 2003-A & B Official Statement. The Depository Trust Company (“DTC”), New York, New York will act as securities depository (“Securities Depository”) for the Series 2003-C, D & E Bonds.

As discussed in Appendix H to the 2003-A & B Official Statement, transfers of ownership interests in the Series 2003-C, D & E Bonds will be accomplished by book entries made by DTC and, in turn, by DTC Participants acting on behalf of Beneficial Owners of the Series 2003-C, D & E Bonds. The Supplemental Resolutions provide that Energy Northwest shall not be required to issue, transfer or exchange the related Series 2003-C, D & E Bonds for a period of ten days next preceding any interest payment date therefor, to issue, transfer or exchange any Series 2003-C, D & E Bond for a period of ten days next preceding any selection of Series 2003-C, D & E Bonds to be redeemed or for a period of ten days thereafter or to transfer or exchange any such Series 2003-C, D & E Bonds which have been designated for redemption within a period of 60 days next preceding the date fixed for redemption.

Energy Northwest, the Trustee, the Paying Agent and any other person may treat the registered owner of any Series 2003-C, D & E Bond as the absolute owner of such Bond for the purpose of making payment thereof and for all other purposes and Energy Northwest, the Trustee and the Paying Agent shall not be bound by any notice or knowledge to the contrary, whether such Series 2003-C, D & E Bond shall be overdue or not. All payments of or on account of interest or principal to any registered owner of any such Series 2003-C, D & E Bond shall be valid and

effectual and shall be a discharge of Energy Northwest, the Trustee and Paying Agent in respect of the liability upon such Series 2003-C, D & E Bond, to the extent of the sum or sums paid.

A Beneficial Owner shall give notice to elect to have its Series 2003-C, D & E Bonds of a Series or a Subseries purchased or tendered through its Participant, to the applicable Remarketing Agent, and shall effect delivery of such Series 2003-C, D & E Bonds of a Series or a Subseries by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to such Remarketing Agent. The requirement for physical delivery of the Series 2003-C, D & E Bonds of a Series or a Subseries in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2003-C, D & E Bonds of a Series or a Subseries are transferred by the Direct Participant on DTC's records, and followed by a book-entry credit of tendered Series 2003-C, D & E Bonds of a Series or a Subseries to the applicable Remarketing Agent's DTC account.

LEGAL MATTERS

The approving opinions of Willkie Farr & Gallagher, Bond Counsel to Energy Northwest, as to the legality of the Series 2003-C, D & E Bonds will be in substantially the forms appended hereto in Appendix A. The opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, as to the exclusion of the interest on the Series 2003-C, D & E 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 Appendix A.

See "SECURITY FOR THE PRIOR LIEN BONDS — Net Billing Agreements" and "— Assignment Agreements" in the 2003-A & B 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 2003-C, D & E 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 2003-C, D & E 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 2003-C, D & E Bonds and the due authorization and issuance of the Series 2003-C, D & E Bonds. A complete copy of the proposed form of opinion of Special Tax Counsel is set forth in Appendix B hereto.

The 1986 Act and the Code impose 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 2003-C, D & E Bonds. Energy Northwest and Bonneville have made certain representations and covenanted to comply with certain restrictions designed to ensure that interest on the Series 2003-C, D & E Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2003-C, D & E Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2003-C, D & E Bonds. The opinion of Special Tax Counsel assumes the accuracy of these representations and 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 2003-C, D & E Bonds may adversely affect the value of, or the tax status of interest on, the Series 2003-C, D & E 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 2003-C, D & E 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 2003-C, D & E 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 2003-C, D & E 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 2003-C, D & E 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.

The opinion of Special Tax Counsel is based on current legal authority and represents Special Tax Counsel's judgment as to the proper treatment of the Series 2003-C, D & E Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Special Tax Counsel's engagement with respect to the Series 2003-A Bonds ends with the issuance of the Series 2003-C, D & E Bonds, and, unless separately engaged, Special Tax Counsel is not obligated to defend the tax-exempt status of the Series 2003-C, D & E Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than Energy Northwest, including Beneficial Owners, will have little if any right to participate in the examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which Energy Northwest or Bonneville legitimately disagree, may not be practical. If such a situation arises, Energy Northwest, Bonneville or Beneficial Owners of the Series 2003-C, D & E Bonds may incur significant expense, loss of market value to the Beneficial Owners, or both.

RATINGS

Fitch, Inc. ("Fitch"), Moody's and S&P are expected to assign each Subseries of the Series 2003-C Bonds the long-term ratings of AAA, Aaa and AAA, respectively, based upon the XLCA Policy.

Fitch, Moody's and S&P are expected to assign each Subseries of the Series 2003-D Bonds the long-term ratings of AAA, Aaa and AAA, respectively, based upon the FSA Policy and the MBIA Policy, respectively, and the short-term ratings of F1+, VMIG1 and A-1+, respectively, based upon the credit rating of the Liquidity Provider.

Fitch, Moody's and S&P are expected to assign the Series 2003-E Bonds the long-term ratings of A+, Aa3, and AA-, respectively, and the short-term ratings of F1, VMIG1 and A-1+, respectively, based upon the credit rating of the Credit Issuer.

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 2003-C, D & E Bonds.

UNDERWRITING

Salomon Smith Barney Inc. has agreed, subject to certain conditions, to purchase the Series 2003-C-1-2 Bonds, the Series 2003-C-1-3 Bonds and the Series 2003-D-3-1 Bonds pursuant to a bond purchase agreement with Energy Northwest at the offering price set forth on the cover page of this Official Statement and to make a bona fide public offering of such Bonds at a public offering price not in excess of such offering price. As compensation for such agreement to purchase such Bonds, Energy Northwest has agreed to pay Salomon Smith Barney Inc. an aggregate underwriting fee of \$607,238.46.

Goldman, Sachs & Co. has agreed, subject to certain conditions, to purchase the Series 2003-C-1-1 Bonds and the Series 2003-D-3-2 Bonds pursuant to a bond purchase agreement with Energy Northwest at the offering price set forth on the cover page of the Official Statement and to make a bona fide public offering of such Bonds at a public offering price not in excess of such offering price. As compensation for such agreement to purchase such Bonds, Energy Northwest has agreed to pay Goldman, Sachs & Co. an aggregate underwriting fee of \$315,451.00.

JPMorgan has agreed, subject to certain conditions, to purchase the Series 2003-C-1-4 Bonds and the Series 2003-E Bonds pursuant to a bond purchase agreement with Energy Northwest at the offering price set forth on the cover page of the Official Statement and to make a bona fide public offering of such Bonds at a public offering price not in excess of such offering price. As compensation for such agreement to purchase such Bonds, Energy Northwest has agreed to pay JPMorgan an aggregate underwriting fee of \$316,438.75.

Each Underwriter's obligations are subject to certain conditions precedent contained in the bond purchase contract related to the Bonds being purchased by such Underwriter and each Underwriter will be obligated to purchase all such Bonds being purchased by such Underwriter, if any such Bonds are purchased. All of the Series 2003-C, D & E Bonds must be purchased if any Series or Subseries to be purchased.

The Series 2003-C, D & E Bonds may be offered and sold to certain dealers, banks and others (including underwriters and other dealers depositing such Series 2003-C, D & E 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 2003-C, D & E Bonds.

CERTAIN RELATIONSHIPS

The Credit Issuer and the Underwriter and Remarketing Agent for the Series 2003-E Bonds are affiliates, both being subsidiaries of J.P. Morgan Chase & Co.

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 2003-C, D & E Bonds for the benefit of holders of the Series 2003-C, D & E 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 2003-C, D & E Bonds, if material. Energy Northwest Annual Information is to be provided not later than December 31 of each year, commencing December 31, 2003. The Bonneville Annual Information is to be provided not later than March 31 of each year, commencing March 31, 2004. 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 this Official Statement.

MISCELLANEOUS

The references, excerpts and summaries contained herein and in the 2003-A & B 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 2003-C, D & E Bonds, the basic agreements securing the Series 2003-C, D & E 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 2003-A & B Official Statement, incorporated by reference herein, nor any advertisement of the Series 2003-C, D & E Bonds is to be construed as a contract with the holders of the Series 2003-C, D & E Bonds. Any statements made in this Official Statement or in the 2003-A & B 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/ John F. Cockburn
Vice Chairman of Executive Board

By: /s/ Albert E. Mouncer
Authorized Financial Officer

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**Upon delivery of the Series 2003-C 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 \$200,485,000 Project No. 1 Refunding Electric Revenue Bonds, Series 2003-C (the "Project 1 Series 2003-C Bonds"). The Project 1 Series 2003-C 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 \$200,485,000 Energy Northwest Project No. 1 Refunding Electric Revenue Bonds, Series 2003-C" (the "Supplemental Resolution") adopted by the Executive Board pursuant to the Electric Bond Resolution on March 20, 2003. 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 Project 1 Series 2003-C Bonds are initially dated the date of delivery and 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 Project 1 Series 2003-C Bonds are subject to redemption in the manner and upon the terms and conditions set forth in the Electric Bond Resolutions, including mandatory redemption at par by application of sinking fund payments. The Project 1 Series 2003-C Bonds rank junior as to security and payment to bonds issued and outstanding under the Prior Lien Resolution. The Project 1 Series 2003-C Bonds rank equally as to security and payment with all other Parity Debt.

In connection with the issuance of the Project 1 Series 2003-C Bonds, we have examined the following:

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;

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

Certified copies of the proceedings of Energy Northwest preliminary to and in connection with the issuance of the Project 1 Series 2003-C 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 Project 1 Series 2003-C Bonds and (iii) a resolution, adopted by Energy Northwest on March 20, 2003 (the "Electric Bond Sale Resolution"), authorizing, among other things, the sale of the Project 1 Series 2003-C Bonds and the execution and delivery of: a Contract of Purchase, dated April 8, 2003 (the "Contract of Purchase"), by and between Energy Northwest and the underwriter named therein;

The Contract of Purchase, and such legal opinions, certificates and proofs submitted to us relative to the issuance and sale of the Project 1 Series 2003-C Bonds as we deemed necessary or advisable; and

The lowest sequentially numbered and executed Project 1 Series 2003-C 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 Project 1 Series 2003-C Bonds and apply the proceeds of the Project 1 Series 2003-C 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 Project 1 Series 2003-C 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 Project 1 Series 2003-C Bonds are payable solely from the revenues and other amounts pledged to such payment under the Electric Bond Resolutions. The Project 1 Series 2003-C 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 Project 1 Series 2003-C 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 Project 1 Series 2003-C Bond.

Very truly yours,

**Upon delivery of the Series 2003-C 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, Project 1 Series 2003-C, in the aggregate principal amount of \$200,485,000 (the "Project 1 Series 2003-C 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 Project 1 Series 2003-C 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. 1282, entitled "A Supplemental Resolution Providing for the Issuance of the Energy Northwest Project No. 1 Refunding Electric Revenue Bonds, Series 2003-C" adopted by the Executive Board on March 20, 2003 (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 Project 1 Series 2003-C 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"), the letter agreement, dated August 1, 1989 (the "1989 Letter Agreement"), by and between Energy Northwest and the Administrator, and the agreement dated August 11, 1989 (the "Bonneville Agreement"), between the Administrator and Energy Northwest regarding the disposition of Project 1 properties after termination.

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, the 1989 Letter Agreement and the Bonneville Agreement;
- (e) The Certificate of the Chairman or Vice Chairman of the Executive Board, dated the date hereof, certifying that, except as described in the Official Statement for the Project 1 Series 2003-C Bonds, dated April 8, 2003, (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, 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 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;

(g) Certified copies of the proceedings of Energy Northwest authorizing the execution and delivery of the Net Billing Agreements, the Assignment Agreement, the 1989 Letter Agreement and the Bonneville 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, the 1989 Letter Agreement and the Bonneville Agreement and (iii) each of the Net Billing Agreements, the Assignment Agreement, the 1989 Letter Agreement and the Bonneville 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 and the Bonneville Agreement are legal and valid obligations 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 or Vice 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,

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**Upon delivery of the Series 2003-D 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 \$201,065,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2003-D (collectively, the "Project 3 Series 2003-D Bonds"). The Project 3 Series 2003-D 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 \$201,065,000 Energy Northwest Project No. 3 Refunding Revenue Bonds, Series 2003-D" (the "Supplemental Resolution") adopted by the Executive Board pursuant to the Electric Bond Resolution on March 20, 2003. 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 Project 3 Series 2003-D 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 Project 3 Series 2003-D Bonds are subject to redemption in the manner and upon the terms and conditions set forth in the Electric Bond Resolutions, including mandatory redemption at par by application of sinking fund payments. The Project 3 Series 2003-D Bonds rank junior as to security and payment to bonds issued and outstanding under the Prior Lien Resolution. The Project 3 Series 2003-D Bonds rank equally as to security and payment with all other Parity Debt.

In connection with the issuance of the Project 3 Series 2003-D 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 Project 3 Series 2003-D 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 Project 3 Series 2003-D Bonds and (iii) a resolution, adopted by Energy Northwest on March 20, 2003 (the "Electric Bond Sale Resolution"), authorizing, among other things, the sale of the Project 3 Series 2003-D Bonds and the execution and delivery of: a Contract of Purchase, dated April 8, 2003 (the "Contract of Purchase") by and between Energy Northwest and the underwriter 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 Project 3 Series 2003-D Bonds as we deemed necessary or advisable; and

(e) The lowest sequentially numbered and executed Project 3 Series 2003-D 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 Project 3 Series 2003-D Bonds and apply the proceeds of the Project 3 Series 2003-D 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 Project 3 Series 2003-D 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 Project 3 Series 2003-D Bonds are payable solely from the revenues and other amounts pledged to such payment under the Electric Bond Resolutions. The Project 3 Series 2003-D 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 Project 3 Series 2003-D 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 Project 3 Series 2003-D Bond.

Very truly yours,

**Upon delivery of the Series 2003-D 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 2003-D, in the aggregate principal amount of \$201,065,000 (the "Project 3 Series 2003-D 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 Project 3 Series 2003-D 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. 1283, entitled "A Supplemental Resolution Providing for the Issuance of the Energy Northwest Project No. 3 Refunding Electric Revenue Bonds, Series 2003-D" adopted by the Executive Board on March 20, 2003 (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 Project 3 Series 2003-D 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"), the letter agreement, dated August 1, 1989 (the "1989 Letter Agreement"), by and between Energy Northwest and the Administrator, and the agreement dated August 11, 1989 (the "Bonneville Agreement"), between the Administrator and Energy Northwest regarding the disposition of Project 3 properties after termination.

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, the 1989 Letter Agreement and the Bonneville 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, 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, except as described in the Official Statement for the Project 3 Series 2003-D Bonds dated April 8, 2003 (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, 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;

(g) Certified copies of the proceedings of Energy Northwest authorizing the execution and delivery of the Net Billing Agreements, the Assignment Agreement, the 1989 Letter Agreement and the Bonneville 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, the 1989 Letter Agreement and the Bonneville Agreement and (iii) each of the Net Billing Agreements, the Assignment Agreement, the 1989 Letter Agreement and the Bonneville 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 Supply System 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 and the Bonneville Agreement are legal and valid obligations 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 (k), 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 (i) 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,

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**Upon delivery of the Series 2003-E 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 \$98,025,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2003-E (collectively, the "Project 3 Series 2003-E Bonds"). The Project 3 Series 2003-E 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 \$98,025,000 Energy Northwest Project No. 3 Refunding Revenue Bonds, Series 2003-E" (the "Supplemental Resolution") adopted by the Executive Board pursuant to the Electric Bond Resolution on March 20, 2003. 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 Project 3 Series 2003-E 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 Project 3 Series 2003-E Bonds are subject to redemption in the manner and upon the terms and conditions set forth in the Electric Bond Resolutions, including mandatory redemption at par by application of sinking fund payments. The Project 3 Series 2003-E Bonds rank junior as to security and payment to bonds issued and outstanding under the Prior Lien Resolution. The Project 3 Series 2003-E Bonds rank equally as to security and payment with all other Parity Debt.

In connection with the issuance of the Project 3 Series 2003-E 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 Project 3 Series 2003-E 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 Project 3 Series 2003-E Bonds and (iii) a resolution, adopted by Energy Northwest on March 20, 2003 (the "Electric Bond Sale Resolution"), authorizing, among other things, the sale of the Project 3 Series 2003-E Bonds and the execution and delivery of: a Contract of Purchase, dated April 8, 2003 (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 Project 3 Series 2003-E Bonds as we deemed necessary or advisable; and

(e) The lowest sequentially numbered and executed Project 3 Series 2003-E 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 Project 3 Series 2003-E Bonds and apply the proceeds of the Project 3 Series 2003-E 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 Project 3 Series 2003-E 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 Project 3 Series 2003-E Bonds are payable solely from the revenues and other amounts pledged to such payment under the Electric Bond Resolutions. The Project 3 Series 2003-E 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 Project 3 Series 2003-E 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 Project 3 Series 2003-E Bond.

Very truly yours,

**Upon delivery of the Series 2003-E 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 2003-E, in the aggregate principal amount of \$98,025,000 (the "Project 3 Series 2003-E 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 Project 3 Series 2003-E 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. 1284, entitled "A Supplemental Resolution Providing for the Issuance of the Energy Northwest Project No. 3 Refunding Electric Revenue Bonds, Series 2003-E" adopted by the Executive Board on March 20, 2003 (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 Project 3 Series 2003-E 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"), the letter agreement, dated August 1, 1989 (the "1989 Letter Agreement"), by and between Energy Northwest and the Administrator, and the agreement dated August 11, 1989 (the "Bonneville Agreement"), between the Administrator and Energy Northwest regarding the disposition of Project 3 properties after termination.

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, the 1989 Letter Agreement and the Bonneville 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, 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, except as described in the Official Statement for the Project 3 Series 2003-E Bonds dated April 8, 2003 (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, 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;

(g) Certified copies of the proceedings of Energy Northwest authorizing the execution and delivery of the Net Billing Agreements, the Assignment Agreement, the 1989 Letter Agreement and the Bonneville 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, the 1989 Letter Agreement and the Bonneville Agreement and (iii) each of the Net Billing Agreements, the Assignment Agreement, the 1989 Letter Agreement and the Bonneville 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 Supply System 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 and the Bonneville Agreement are legal and valid obligations 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 (k), 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 (i) 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,

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**Upon delivery of the Series 2003-C, Series 2003-D and Series 2003-E 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
\$200,485,000 Project No. 1 Refunding Electric Revenue Bonds, Series 2003-C
\$201,065,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2003-D
\$98,025,000 Project No. 3 Refunding Electric Revenue Bonds, Series 2003-E

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 \$200,485,000 aggregate principal amount of Project No. 1 Refunding Electric Revenue Bonds, Series 2003-C (the "Series 2003-C Bonds"), \$201,065,000 aggregate principal amount of Project No. 3 Refunding Electric Revenue Bonds, Series 2003-D (the "Series 2003-D Bonds") and \$98,025,000 aggregate principal amount of Project No. 3 Refunding Electric Revenue Bonds, Series 2003-E (the "Series 2003-E Bonds") and together with the Series 2003-C Bonds and the Series 2003-D Bonds, the "Series 2003-C, D & E Bonds"). The Series 2003-C 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 March 20, 2003 (the "Project 1 Resolution"). The Series 2003-D Bonds and the Series 2003-E 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 supplemental resolutions adopted on March 20, 2003 (the "Project 3 Resolution", and together with the Project 1 Resolution, the "Resolution"). The Series 2003-C, D & E 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 2003-C, D & E 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 2003-C, D & E 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 2003-C, D & E 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 2003-C, D & E 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 2003-C, D & E 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 8, 2003, relating to the Series 2003-C, D & E Bonds or other offering material relating to the Series 2003-C, D & E 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 2003-C, D & E Bonds and the due authorization and issuance of the Series 2003-C, D & E 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 2003-C, D & E 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 2003-C, D & E 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.

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 2003-C, D & E Bonds.

Faithfully yours,

XL CAPITAL ASSURANCE INC.

Concurrently with the issuance of the Series 2003-C Bonds, XL Capital Assurance Inc. (“XLCA”) will issue its municipal bond insurance policy (the “XLCA Policy”) for each Subseries of the Series 2003-C Bonds (the “XLCA Insured Bonds”). The XLCA Policy guarantees the scheduled payment of principal and interest on the XLCA Insured Bonds when due as set forth in the form of the XLCA Policy included herein.

The following information has been furnished by XLCA for use in this Official Statement.

XLCA accepts no responsibility for the accuracy or completeness of this Official Statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding XLCA and its affiliates set forth under this heading. In addition, XLCA makes no representation regarding the XLCA Insured Bonds or the advisability of investing in the XLCA Insured Bonds.

General

XLCA is a monoline financial guaranty insurance company incorporated under the laws of the State of New York. XLCA is currently licensed to do insurance business in, and is subject to the insurance regulation and supervision by, the State of New York, forty-seven other states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Singapore. XLCA has license applications pending, or intends to file an application, in each of those states in which it is not currently licensed.

XLCA is an indirect wholly owned subsidiary of XL Capital Ltd, a Cayman Islands corporation (“XL Capital Ltd”). Through its subsidiaries, XL Capital Ltd is a leading provider of insurance and reinsurance coverages and financial products to industrial, commercial and professional service firms, insurance companies and other enterprises on a worldwide basis. The common stock of XL Capital Ltd is publicly traded in the United States and listed on the New York Stock Exchange (NYSE: XL). **XL Capital Ltd is not obligated to pay the debts of or claims against XLCA.**

XLCA was formerly known as The London Assurance of America Inc. (“London”), which was incorporated on July 25, 1991 under the laws of the State of New York. On February 22, 2001, XL Reinsurance America Inc. (“XL Re”) acquired 100% of the stock of London. XL Re merged its former financial guaranty subsidiary, known as XL Capital Assurance Inc. (formed September 13, 1999) with and into London, with London as the surviving entity. London immediately changed its name to XL Capital Assurance Inc. All previous business of London was 100% reinsured to Royal Indemnity Company, the previous owner at the time of acquisition.

Reinsurance

XLCA has entered into a facultative quota share reinsurance agreement with XL Financial Assurance Ltd (“XLFA”), an insurance company organized under the laws of Bermuda, and an affiliate of XLCA. Pursuant to this reinsurance agreement, XLCA expects to cede up to 90% of its business to XLFA. XLCA may also cede reinsurance to third parties on a transaction-specific basis, which cessions may be any or a combination of quota share, first loss or excess of loss. Such reinsurance is used by XLCA as a risk management device and to comply with statutory and rating agency requirements and does not alter or limit XLCA’s obligations under any financial guaranty insurance policy. With respect to any transaction insured by XLCA, the percentage of risk ceded to XLFA may be less than 90% depending on certain factors including, without limitation, whether XLCA has obtained third party reinsurance covering the risk. As a result, there can be no assurance as to the percentage reinsured by XLFA of any given financial guaranty insurance policy issued by XLCA, including the XLCA Policy.

Based on the audited financials of XLFA as of December 31, 2001, XLFA had total assets, liabilities, redeemable preferred shares and shareholders’ equity of US\$543,538,559, US\$244,403,576, US\$39,000,000 and US\$260,134,983, respectively, determined in accordance with generally accepted accounting principles in the United States. XLFA’s insurance financial strength is rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s and Fitch. In addition, XLFA has obtained a financial enhancement rating of “AAA” from Standard & Poor’s.

The obligations of XLFA to XLCA under the reinsurance agreement described above are unconditionally guaranteed by XL Insurance (Bermuda) Ltd (“XLI”), a Bermuda company and one of the world’s leading excess commercial insurers. XLI is a wholly owned indirect subsidiary of XL Capital Ltd. In addition to having an “A+” rating from A.M. Best, XLI’s financial strength rating is “Aa2” by Moody’s and “AA” by Standard & Poor’s and Fitch. The ratings of XLFA and XLI are not recommendations to buy, sell or hold securities, including the XLCA Insured Bonds and are subject to revision or withdrawal at any time by Moody’s, Standard & Poor’s or Fitch.

Notwithstanding the capital support provided to XLCA described in this section, the holders of the XLCA Insured Bonds will have direct recourse against XLCA only, and neither XLFA nor XLI will be directly liable to the holders of the XLCA Insured Bonds.

Financial Strength and Financial Enhancement Ratings of XLCA

XLCA’s insurance financial strength is rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s and Fitch, Inc. (“Fitch”). In addition, XLCA has obtained a financial enhancement rating of “AAA” from Standard & Poor’s. These ratings reflect Moody’s, Standard & Poor’s and Fitch’s current assessment of XLCA’s creditworthiness and claims-paying ability as well as the reinsurance arrangement with XLFA described under “Reinsurance” above.

The above ratings are not recommendations to buy, sell or hold securities, including the XLCA Insured Bonds and are subject to revision or withdrawal at any time by Moody’s, Standard & Poor’s or Fitch. Any downward revision or withdrawal of these ratings may have an adverse effect on the market price of the XLCA Insured Bonds. XLCA does not guaranty the market price of the XLCA Insured Bonds nor does it guaranty that the ratings on the XLCA Insured Bonds will not be revised or withdrawn.

Capitalization of XLCA

Based on the audited statutory financial statements for XLCA as of December 31, 2001, XLCA had total admitted assets of \$158,442,157, total liabilities of \$48,899,461 and total capital and surplus of \$109,542,696 determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities (“SAP”). Based on the unaudited statutory financial statements for XLCA as of December 31, 2002 filed with the State of New York Insurance Department, XLCA has total admitted assets of \$180,993,189, total liabilities of \$58,685,217 and total and capital surplus of \$122,307,972 determined in accordance with SAP.

For further information concerning XLCA and XLFA, see the financial statements of XLCA and XLFA, and the notes thereto, incorporated by reference in this Official Statement. The financial statements of XLCA and XLFA are included as exhibits to the periodic reports filed with the Securities and Exchange Commission (the “Commission”) by XL Capital Ltd and may be reviewed at the EDGAR website maintained by the Commission. All financial statements of XLCA and XLFA included in, or as exhibits to, documents filed by XL Capital Ltd pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities and Exchange Act of 1934 on or prior to the date of this Official Statement, or after the date of this Official Statement but prior to termination of the offering of the XLCA Insured Bonds, shall be deemed incorporated by reference in this Official Statement. Except for the financial statements of XLCA and XLFA, no other information contained in XL Capital Ltd.’s reports filed with the Commission are incorporated by reference. Copies of the statutory quarterly and annual statements filed with the State of New York Insurance Department by XLCA are available upon request to the State of New York Insurance Department.

Regulation of XLCA

XLCA is regulated by the Superintendent of Insurance of the State of New York. In addition, XLCA is subject to regulation by the insurance laws and regulations of the other jurisdictions in which it is licensed. As a financial guaranty insurance company licensed in the State of New York, XLCA is subject to Article 69 of the New York Insurance Law, which, among other things, limits the business of each insurer to financial guaranty insurance and related lines, prescribes minimum standards of solvency, including minimum capital requirements, establishes contingency, loss and unearned premium reserve requirements, requires the maintenance of minimum surplus to policyholders and limits the aggregate amount of insurance which may be written and the maximum size of any single risk exposure which may be assumed. XLCA is also required to file detailed annual financial statements with

the New York Insurance Department and similar supervisory agencies in each of the other jurisdictions in which it is licensed.

The extent of state insurance regulation and supervision varies by jurisdiction, but New York and most other jurisdictions have laws and regulations prescribing permitted investments and governing the payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

THE FINANCIAL GUARANTY INSURANCE POLICIES ISSUED BY XLCA, INCLUDING THE XLCA POLICY, ARE NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

The principal executive offices of XLCA are located at 1221 Avenue of the Americas, New York, New York 10020 and its telephone number at this address is (212) 478-3400.

XLCA SPECIMEN MUNICIPAL BOND INSURANCE POLICY



1221 Avenue of the Americas
New York, New York 10020-1001
Telephone: (212) 478-3400

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: []

Policy No: []

BONDS: []

Effective Date: []

XL Capital Assurance Inc. (XLCA), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy (which includes each endorsement attached hereto), hereby agrees unconditionally and irrevocably to pay to the trustee (the "Trustee") or the paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the benefit of the Owners of the Bonds or, at the election of XLCA, to each Owner, that portion of the principal and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment.

XLCA will pay such amounts to or for the benefit of the Owners on the later of the day on which such principal and interest becomes Due for Payment or one (1) Business Day following the Business Day on which XLCA shall have received Notice of Nonpayment (provided that Notice will be deemed received on a given Business Day if it is received prior to 10:00 a.m. New York time on such Business Day; otherwise it will be deemed received on the next Business Day), but only upon receipt by XLCA, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in XLCA. Upon such disbursement, XLCA shall become the owner of the Bond, any appurtenant coupon to the Bond or the right to receipt of payment of principal and interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by XLCA hereunder. Payment by XLCA to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of XLCA under this Policy.

In the event the Trustee or Paying Agent has notice that any payment of principal or interest on a Bond which has become Due for Payment and which is made to an Owner by or on behalf of the Issuer of the Bonds has been recovered from the 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, such Owner will be entitled to payment from XLCA to the extent of such recovery if sufficient funds are not otherwise available.

The following terms shall have the meanings specified for all purposes of this Policy, except to the extent such terms are expressly modified by an endorsement to this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required

sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity, unless XLCA shall elect, in its sole discretion, to pay such principal due upon such acceleration; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or Paying Agent for payment in full of all principal and interest on the Bonds which are Due for Payment. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to XLCA which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

XLCA may, by giving written notice to the Trustee and the Paying Agent, appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy. From and after the date of receipt by the Trustee and the Paying Agent of such notice, which shall specify the name and notice address of the Insurer's Fiscal Agent, (a) copies of all notices required to be delivered to XLCA pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to XCLA and shall not be deemed received until received by both and (b) all payments required to be made by XLCA under this Policy may be made directly by XLCA or by the Insurer's Fiscal Agent on behalf of XLCA. The Insurer's Fiscal Agent is the agent of XLCA only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of XLCA to deposit or cause to be deposited sufficient funds to make payments due hereunder.

Except to the extent expressly modified by an endorsement hereto, (a) this Policy is non-cancelable by XLCA, and (b) the Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of XLCA, nor against any risk other than Nonpayment. This Policy sets forth the full undertaking of XLCA and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto.

THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, XLCA has caused this Policy to be executed on its behalf by its duly authorized officers.

SPECIMEN

Name:
Title:

SPECIMEN

Name:
Title:

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FINANCIAL SECURITY ASSURANCE INC.

Concurrently with the issuance of the Series 2003-D-3-1 Bonds, Financial Security Assurance Inc. (“FSA”) will issue its municipal bond insurance policy (the “FSA Policy”) for the Series 2003-D-3-1 Bonds (the “FSA Insured Bonds”). The FSA Policy guarantees the scheduled payment of principal and interest on the FSA Insured Bonds when due as set forth in the form of the FSA Policy included herein.

The following information has been furnished by FSA for use in this Official Statement.

The FSA Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

FSA is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. (“Holdings”). Holdings is an indirect subsidiary of Dexia, S.A. a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or FSA is liable for the obligations of FSA.

At September 30, 2002, FSA’s total policyholders’ surplus and contingency reserves were approximately \$1,728,433,000 and its total unearned premium reserve was approximately \$972,390,000 in accordance with statutory accounting principles. At September 30, 2002, FSA’s total shareholders’ equity was approximately \$1,928,564,000 and its total net unearned premium reserve was approximately \$814,684,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the FSA Insured Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The FSA Policy does not protect investors against changes in the market value of the FSA Insured Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. FSA makes no representation regarding the FSA Insured Bonds or the advisability of investing in the FSA Insured Bonds. FSA makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that FSA has provided to the issuer the information presented under this caption for inclusion in the Official Statement.



**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

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MBIA INSURANCE CORPORATION

The following information has been furnished by MBIA Insurance Corporation (“MBIA”) for use in this Official Statement.

MBIA’s policy unconditionally and irrevocably guarantees 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 2003-D-3-2 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 MBIA’s policy 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 2003-D-3-2 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”).

MBIA’s policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2003-D-3-2 Bond. MBIA’s policy does 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 2003-D-3-2 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA’s policy also does not insure against nonpayment of principal of or interest on the Series 2003-D-3-2 Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 2003-D-3-2 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 MBIA from the Paying Agent or any owner of a Series 2003-D-3-2 Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA 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 U.S. Bank Trust National Association, 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 2003-D-3-2 Bonds or presentment of such other proof of ownership of the Series 2003-D-3-2 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2003-D-3-2 Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2003-D-3-2 Bonds in any legal proceeding related to payment of insured amounts on the Series 2003-D-3-2 Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Series 2003-D-3-2 Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The MBIA Policy has been endorsed to provide for cancellation of the MBIA Policy upon delivery of an Alternate Insurance Policy to the Paying Agent in accordance with terms of the Project 3 2003-D Electric Revenue Bond Supplemental Resolution. The MBIA Policy will, however, remain in effect with respect to claims for Preferences resulting from payments made prior to the effective date of cancellation of the MBIA Policy.

MBIA

MBIA 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 MBIA. MBIA 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. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one 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 MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth herein. Additionally, MBIA makes no representation regarding the Series 2003-D-3-2 Bonds or the advisability of investing in the Series 2003-D-3-2 Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2001; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Series 2003-D-3-2 Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002), are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, MBIA had admitted assets of \$8.5 billion (audited), total liabilities of \$5.6 billion (audited), and total capital and surplus of \$2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2002, MBIA had admitted assets of \$9.0 billion (unaudited), total liabilities of \$5.9 billion (unaudited), and total capital and surplus of \$3.1 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

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

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

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA 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 2003-D-3-2 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 2003-D-3-2 Bonds. MBIA does not guaranty the market price of the Series 2003-D-3-2 Bonds nor does it guaranty that the ratings on the Series 2003-D-3-2 Bonds will not be revised or withdrawn.

MBIA SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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 in clauses (i) and (ii) of the preceding sentence shall be 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 nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, 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 U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying 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

By: _____

President

Attest: _____

Assistant Secretary

SPECIMEN

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DEXIA CREDIT LOCAL

The following information has been furnished by Dexia Crédit Local, New York Agency (“Dexia”) for use in this Official Statement.

Dexia is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. Dexia is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of more than 17 billion euros as of March 14, 2001, the Dexia Group ranks in the top third of the Euronext 100 companies.

Dexia specializes in the Dexia Group’s first line of business—public and project finance and financial services for the public sector. Worldwide, Dexia federates group entities involved in this business and spearheads their development. Dexia has recognized expertise in local sector financing and project finance. It is backed by a network of specialized banks, which employ 2,500 professionals.

Through this network of subsidiaries, affiliates and branches, Dexia is present in almost all of the countries of the European Union. It is progressively expanding its activities to Asia Pacific, South America and the Caribbean, and countries around the Mediterranean. Dexia, known as Dexia Public Finance Bank until March 8, 2001, is a bank with its principal office located in Paris, France. In issuing the facility, Dexia will act through its New York Agency, which is licensed by the Banking Department of the State of New York as an unincorporated agency of Dexia Crédit Local, Paris. Dexia is the leading local authority lender in Europe, funding its lending activities in 2001 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2001, total funding raised by Dexia and Dexia Municipal Agency was 12.4 billion euros.

The acquisition by the Dexia Group of Financial Security Assurance Holdings Ltd. (“FSA Holdings”), the holding company for FSA was completed on July 5, 2000. As of December 31, 2001, Dexia had total consolidated assets of 155.5 billion euros, outstanding medium and long term loans to customers of 129 billion euros and shareholders’ equity of nearly 3.3 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 644 million euros, determined in accordance with generally accepted accounting principles in France. Dexia maintains its records and prepares its financial statements in euros. At December 31, 2001, the exchange rate was 1.0000 euro equals 0.8813 United States dollar. Such exchange rate fluctuates from time to time. Dexia is rated Aa2 long-term and P-1 short-term by Moody’s, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

Dexia will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Dexia Crédit Local, New York Agency, 445 Park Avenue, 8th Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.

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JPMORGAN CHASE BANK

The following information has been furnished by JPMorgan Chase Bank for use in this Official Statement.

JPMorgan Chase Bank is a wholly owned bank subsidiary of J.P. Morgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. JPMorgan Chase Bank is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. Its business is subject to examination and regulation by Federal and New York State banking authorities. As of December 31, 2002, JPMorgan Chase Bank had total assets of \$622.4 billion, total net loans of \$180.6 billion, total deposits of \$300.6 billion, and total stockholder's equity of \$35.5 billion. As of December 31, 2001, JPMorgan Chase Bank had total assets of \$537.8 billion, total net loans of \$174.9 billion, total deposits of \$280.5 billion, and total stockholder's equity of \$33.3 billion.

Additional information, including the most recent Form 10-K for the year ended December 31, 2001 of J.P. Morgan Chase & Co. (formerly known as "The Chase Manhattan Corporation"), the 2001 Annual Report of J.P. Morgan Chase & Co. and additional annual, quarterly and current reports filed with the Securities and Exchange Commission by J.P. Morgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, J.P. Morgan Chase & Co., 270 Park Avenue, New York, New York 10017.

The information contained in this Appendix relates to and has been obtained from JPMorgan Chase Bank. This data has been taken from the Consolidated Reports of Condition and Income filed with the Board of Governors of the U.S. Federal Reserve System compiled in accordance with regulatory accounting principles. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of JPMorgan Chase Bank since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

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SUMMARY OF CERTAIN PROVISIONS RELATING TO THE ARS

The following is a summary of certain provisions of the Supplemental Resolutions, the Auction Agent Agreement, the Broker-Dealer Agreement and the Market Agent Agreement relating to the Series 2003-C Bonds initially bearing interest as auction rate securities at an Auction Rate (such Series 2003-C Bonds hereinafter referred to as the “ARS”). This summary is not intended to be a full statement of the terms of such documents and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not previously defined elsewhere in the Official Statement (including the other appendices thereto) or defined in this Appendix F have the meanings set forth in the applicable Supplemental Resolution. Copies of the Supplemental Resolutions, the Auction Agent Agreement, the Broker-Dealer Agreement and the Market Agent Agreement may be obtained from the Trustee. See also “DESCRIPTION OF THE SERIES 2003-C, D & E BONDS” in the Official Statement for a description of certain other provisions of the documents relating to the ARS.

Certain Definitions Relating to the ARS

Capitalized terms used in this Appendix and elsewhere in this Official Statement have the meanings set forth below. Capitalized terms used but not defined in this Appendix or elsewhere in this Official Statement have the meanings given in the applicable Supplemental Resolution, or in the Auction Agent Agreement, the Broker Dealer Agreement or the Market Agent Agreement, as applicable.

“AA” Financial Commercial Paper Rate” means, as of any date of determination, the interest equivalent of the 30-day rate on financial commercial paper placed on behalf of issuers whose corporate bonds are rated “AA” by Standard & Poor’s, or the equivalent of such rating by Standard & Poor’s or another nationally recognized securities rating agency, as such 30-day rate is made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination. If, however, the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of the interest equivalent of the 30-day rate on commercial paper placed on behalf of such issuers, as quoted to the Auction Agent on a discount basis or otherwise, by the Commercial Paper Dealers, as of the close of business on the Business Day immediately preceding such date of determination. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the “AA” Financial Commercial Paper Rate, the “AA” Financial Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers. 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 (i) 100 multiplied by (ii) the quotient (rounded upward to the next higher one thousandth (.001) of 1%) of (x) the discount rate (expressed in decimals) divided by (y) the difference between (1) 1.00 and (2) a fraction, the numerator of which shall be the product of the discount rate (expressed in decimals) multiplied by the number of days from (and including) the date of determination to (but excluding) the date on which such commercial paper matures and the denominator of which shall be 360.

“All-Hold Rate” means, on any date of determination, the interest rate per annum equal to 55% (as such percentage may be adjusted as described in this Appendix under “Adjustment in Percentages”) of the lesser of (i) the AA Financial Commercial Paper Rate on such date and (ii) the Index on such date; provided, that in no event shall the All-Hold Rate be more than the ARS Maximum Rate.

“Applicable ARS Rate” means with respect to ARS, the rate per annum at which interest accrues on the Series 2003-C, D & E Bonds of such Subseries or Series which are ARS for any ARS Interest Period.

“Applicable Percentage” means, as of any Auction Date, the Percentage of Index (in effect on such Auction Date) determined as set forth below, based on the Prevailing Rating of such Series 2003-C, D & E Bonds of a Subseries or Series in effect at the close of business on the Business Day immediately preceding such Auction Date:

<i>Prevailing Rating</i>	<i>Percentage of Index</i>
AAA/AAA/Aaa	150%
AA/AA/Aa	175
A/A/A	200
BBB/BBB/Baa	250
Below BBB/BBB/Baa	275

“ARS” means, on any date, all Series 2003-C, D & E Bonds of a Subseries or Series when bearing interest as auction rate securities as provided in the applicable Supplemental Resolution and the Auction Procedures applicable thereto.

“ARS Beneficial Owner” means the Person who is the beneficial owner of ARS according to the records of (i) DTC or its participants or a successor Securities Depository while such ARS are in book-entry form or (ii) the Trustee while such ARS are not in book-entry form.

“ARS Defaulted Interest” means interest on any ARS which is payable but is not punctually paid or duly provided for on any ARS Interest Payment Date.

“ARS Interest Payment Date” means, with respect to ARS, the Business Day immediately following each Auction Period.

“ARS Interest Period” means the period commencing on and including an ARS Interest Payment Date and ending on but excluding the next succeeding ARS Interest Payment Date; provided, that the first ARS Interest Period within each ARS Interest Rate Period shall commence on and include the Closing Date or the Conversion Date, as the case may be.

“ARS Interest Rate Period” means each period during which the Series 2003-C, D & E Bonds of a Subseries or Series are ARS.

“ARS Maximum Rate” means, on any date of determination, the interest rate per annum equal to the lesser of (i) the Applicable Percentage of the higher of (a) the “AA” Financial Commercial Paper Rate on such date and (b) the Index on such date, and (ii) 12% per annum; provided, that in no event shall the ARS Maximum Rate be more than the Maximum Lawful Rate.

“ARS Payment Default” shall mean (i) a default by Energy Northwest in the due and punctual payment of any installment of interest on ARS and the failure of the applicable Bond Insurer to honor its obligations under the related Policy, *or* (ii) a default by Energy Northwest in the due and punctual payment of any principal of or premium, if any, on ARS at stated maturity or pursuant to a mandatory redemption and the failure of the applicable Bond Insurer to honor its obligations under the related Policy.

“ARS Rating Agency” means Moody’s or Standard & Poor’s or Fitch, or if any of Moody’s or Standard & Poor’s or Fitch discontinues its securities rating service, then such other nationally recognized securities rating agency as may be specified by the Market Agent with the consent of Energy Northwest.

“Auction” means the implementation of the Auction Procedures on an Auction Date.

“Auction Agent” means, initially, The Bank of New York and thereafter any Person with whom the Trustee enters into an Auction Agent Agreement.

“Auction Agent Agreement” means, the auction agent agreement between the Trustee and the Auction Agent, as amended or supplemented from time to time.

“Auction Agent Fee” has the meaning provided in each Auction Agent Agreement.

“Auction Date” means, with respect to ARS, the Business Day next preceding the first day of each Auction Period, other than

(i) each Auction Period commencing after the ownership of such ARS is no longer maintained in book-entry form by a Securities Depository;

(ii) each Auction Period commencing after the occurrence and during the continuance of an ARS Payment Default; or

(iii) any Auction Period commencing less than two Business Days after the cure or waiver of an ARS Payment Default.

“Auction Period” shall mean (i) with respect to any Subseries of ARS in a seven-day mode, any of (A) a period, generally of seven days, beginning on and including a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on and including the Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (B) a period, generally of seven days, beginning on and including a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on and including the Monday thereafter (unless such Monday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (C) a period, generally of seven days, beginning on and including a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on and including the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (D) a period, generally of seven days, beginning on and including a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on and including the Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day) or (E) a period, generally of seven days, beginning on and including a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on and including the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (ii) with respect to any Subseries of ARS in a 28-day mode, any of (A) a period, generally of 28 days, beginning on and including a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on and including the fourth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (B) a period, generally of 28 days, beginning on and including a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on and including the fourth Monday thereafter (unless such Monday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day), (C) a period, generally of 28 days, beginning on and including a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on and including the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day), (D) a period, generally of 28 days, beginning on and including a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on and including the fourth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day) or (E) a period, generally of 28 days, beginning on and including a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on and including the fourth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day) and (iii) with respect to any Subseries of ARS in a 35-day mode, any of (A) a period, generally of 35 days, beginning on and including a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on and including the fifth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (B) a period, generally of 35 days, beginning on and including a Tuesday

(or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on and including the fifth Monday thereafter (unless such Monday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day), (C) a period, generally of 35 days, beginning on and including a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on and including the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day), (D) a period, generally of 35 days, beginning on and including a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on and including the fifth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day) or (E) a period, generally of 35 days, beginning on and including a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on and including the fifth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day); provided, however, that the initial Auction Period with respect to any Subseries of the Series 2003-C Bonds shall begin on and include the Closing Date, and that in the event of a Conversion of the Series 2003-C Bonds from another Interest Rate Period to an ARS Interest Rate Period the initial Auction Period following such Conversion shall begin on and include the Conversion Date.

“Auction Procedures” means, with respect to each Series of ARS, the auction procedures set forth in Exhibit B of the Auction Agent Agreement and described in this Appendix under “Auction Procedures” and “Settlement Procedures.”

“Auction Rate” means, with respect to the interest rate on ARS, the rate of interest per annum that results from implementation of the Auction Procedures, and determined as described in the Auction Procedures; provided, however, that the Auction Rate shall not exceed the ARS Maximum Rate.

“Bid” has the meaning described in this Appendix under “Auction Procedures.”

“BMA Index” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Bond Market Association (“BMA”) or any Person acting in cooperation with or under the sponsorship of BMA, and effective from such date.

“Broker-Dealer” means Goldman, Sachs & Co., Salomon Smith Barney Inc., and J.P. Morgan Securities Inc. with respect to each Subseries of the Series 2003-C Bonds, and any other, or additional, broker or dealer (each as defined in the Securities Exchange Act of 1934), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures which (i) is a participant in or member of the Securities Depository as determined by the rules or bylaws of the Securities Depository (or an affiliate of such a participant or member), (ii) has been appointed as such by Energy Northwest pursuant to the applicable Supplemental Resolution, and (iii) has entered into a Broker-Dealer Agreement that is in effect on the date of reference. When used at a time when more than one Broker-Dealer is acting under the applicable Supplemental Resolution, the term “the Broker-Dealer” shall mean, as the context dictates, either all such Broker-Dealers collectively, or only each Broker-Dealer acting with respect to the ARS.

“Broker-Dealer Agreement” means, each agreement among Energy Northwest, 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.

“Change of Tax Law” means, with respect to any ARS Beneficial Owner, 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 of Issuance, 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 Dealer” means the commercial paper dealers appointed as provided in the applicable Supplemental Resolution.

“Conversion” means a conversion of the Series 2003-C, D & E Bonds of a Subseries or Series from one Interest Rate Period to another Interest Rate Period as provided in the applicable Supplemental Resolution.

“Conversion Date” means the effective date of a Conversion of the Series 2003-C, D & E Bonds of a Subseries or Series.

“Existing Holder” means, with respect to any Auction, a Person who was listed as the ARS Beneficial Owner in the applicable Existing Holder Registry at the close of business on the Business Day immediately preceding such Auction.

“Existing Holder Registry” means, the registry of Persons who are ARS Beneficial Owners of ARS, maintained by the Auction Agent as provided in the Auction Agent Agreement.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel, addressed to Energy Northwest and the related Remarketing Agent to the effect that the action proposed to be taken is authorized or permitted by the laws of the State and the applicable Supplemental Resolution and will not result in the inclusion of interest on the Series 2003-C, D & E Bonds in gross income for federal income tax purposes.

“Fitch” means Fitch Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by Energy Northwest and not objected to by the Trustee.

“Hold Order” has the meaning provided in the Auction Procedures.

“Index” means, on any Auction Date with respect to Series 2003-C, D & E Bonds of a Subseries or Series which are ARS, the One Month LIBOR Rate on such date. If such rate is unavailable, the Index for Series 2003-C, D & E Bonds of a Subseries or Series which are ARS shall be an index or rate agreed to by all Broker-Dealers and consented to by the Market Agent.

“Market Agent” means, with respect to the Series 2003-C-1-1 Bonds, initially, Goldman, Sachs & Co., with respect to the Series 2003-C-1-2 Bonds and the Series 2003-C-1-3 Bonds, initially, Salmon Smith Barney Inc., and with respect to the Series 2003-C-1-4 Bonds, initially, J.P. Morgan Securities Inc., and any other Person with which the Trustee enters into a Market Agent Agreement.

“Market Agent Agreement” means, the Market Agent Agreement for the Series 2003-C, D & E Bonds of a Subseries or Series which are ARS, in each case as from time to time in effect.

“Maximum Bond Interest Rate” shall mean the rate of 12% per annum with respect to Series 2003-C, D & E Bonds calculated in the same manner as interest is calculated for the particular interest rate on the Series 2003-C, D & E Bonds.

“Maximum Lawful Rate” means the maximum rate of interest on the relevant obligation permitted by applicable law.

“Non-Payment Rate” means, on any date of determination, the interest rate per annum equal to the lesser of (i) 300% of the Index on such date (as such percentage may be adjusted as described in this Appendix under “Adjustment in Percentages”) or (ii) 12% per annum; provided, that in no event shall the Non-Payment Rate be more than the Maximum Lawful Rate.

“Notice of ARS Payment Default” means a notice substantially in the form attached to the Auction Agent Agreement.

“Notice of Cure of ARS Payment Default” means a notice substantially in the form attached to the applicable Supplemental Resolution.

“Notice of Percentage Change” means a notice to the Trustee, each Broker-Dealer, the applicable Bond Insurer and the Auction Agent substantially in the form attached to the Market Agent Agreement.

“Notice of Proposed Percentage Change” means a notice to the Trustee, each Broker-Dealer and the Auction Agent substantially in the form attached to the Market Agent Agreement.

“One Month LIBOR Rate” means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

“Order” has the meaning described in this Appendix under “Auction Procedures.”

“Potential Holder” means, with respect to any Auction, any Person, including any Existing Holder, who may be interested in acquiring a beneficial interest in ARS subject to such Auction in addition to the ARS, currently owned by such Person.

“Prevailing Rating” means, when such term is used in the definition of the Applicable Percentage, (a) AAA/AAA/Aaa, if the Series 2003-C, D & E Bonds of a Subseries or Series shall have a rating of AAA or better by Standard & Poor’s and Fitch and a rating of Aaa or better by Moody’s, (b) if not AAA/AAA/Aaa, AA/AA/Aa if the Series 2003-C, D & E Bonds of a Subseries or Series shall have a rating of AA- or better by Standard & Poor’s and Fitch and a rating of Aa3 or better by Moody’s, (c) if not AAA/AAA/Aaa or AA/AA/Aa, A/A/A if the Series 2003-C, D & E Bonds of a Subseries or Series shall have a rating of A- or better by Standard & Poor’s and Fitch and a rating of A3 or better by Moody’s, (d) if not AAA/AAA/Aaa, AA/AA/Aa or A/A/A, BBB/BBB/Baa if the Series 2003-C, D & E Bonds of a Subseries or Series shall have a rating of BBB- or better by Standard & Poor’s and Fitch and a rating of Baa3 or better by Moody’s, and (e) if not AAA/AAA/Aaa, AA/AA/Aa, A/A/A or BBB/BBB/Baa, then below BBB/BBB/Baa, whether or not the Series 2003-C, D & E Bonds of a Subseries or Series are rated by any ARS Rating Agency. For purposes of this definition, Standard & Poor’s and Fitch’s rating categories of “AAA,” “AA-,” “A-“ and “BBB-“ and Moody’s rating categories of “Aaa,” “Aa3,” “A3” and “Baa3” shall be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agencies shall have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof shall use different rating categories. If the Series 2003-C, D & E Bonds of a Subseries or Series are not rated by an ARS Rating Agency, the requirement of a rating by such ARS Rating Agency shall be disregarded. If the ratings for the Series 2003-C, D & E Bonds of a Subseries or Series are split between two of the foregoing categories, the lower rating shall determine the Prevailing Rating. If there is no rating, then the Auction Rate shall be 300% of the Index.

“Record Date” means, with respect to any Series 2003-C, D & E Bonds which are ARS, the second Business Day next preceding each ARS Interest Payment Date.

“Sell Order” has the meaning described in this Appendix under “Auction Procedures.”

“Special Record Date” means a special date fixed to determine the names and addresses of holders of ARS for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in the applicable Supplemental Resolution.

“Submitted Hold Orders” has the meaning described in the Appendix under “Auction Procedures.”

“Sufficient Clearing Bids” has the meaning described in this Appendix under “Auction Procedures – Determination of Sufficient Clearing Bids and Winning Bid Rate.”

Payments with Respect to ARS

Interest with respect to ARS shall accrue from and including, as applicable, the Closing Date (with respect to the Series 2003-C Bonds), the Conversion Date or the most recent ARS Interest Payment Date to which interest has been paid or duly provided for. The Trustee shall determine the aggregate amount of interest payable with respect to ARS on each ARS Interest Payment Date. Interest due on any ARS Interest Payment Date shall equal (i) the Applicable ARS Rate relating to such Series, multiplied by (ii) the principal amount multiplied by (iii) the number of days in the applicable ARS Interest Period, divided by (iv) 360, and rounding the resultant figure to the nearest cent (a half cent being rounded upward). The Trustee shall promptly notify the Securities Depository of its calculations, as provided in the applicable Supplemental Resolution.

Interest on the ARS shall be computed on the basis of a 360-day year for the actual number of days elapsed. The Applicable ARS Rate for each ARS Interest Period after the first ARS Interest Period shall be the Auction Rate; provided that (i) if a notice of a proposed adjustment in the percentages used to determine the ARS Maximum Rate, the All-Hold Rate and the Non-Payment Rate shall have been given by the Market Agent in accordance with the applicable Supplemental Resolution with respect to the ARS and because of a failure to satisfy the conditions set forth in such Supplemental Resolution, such adjustment shall not have taken effect, then an Auction with respect to the ARS shall not be held on the Auction Date immediately preceding the next succeeding ARS Interest Payment Date and the Applicable ARS Rate with respect to the next succeeding ARS Interest Period shall equal the ARS Maximum Rate on such Auction Date; and (ii) in the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Period (except as contemplated otherwise herein pursuant to (i) above or (x) and (y) below), the new Auction Period shall be the same as the preceding Auction Period and the Auction Rate for the new Auction Period shall be the same as the Auction Rate for the preceding Auction Period.

Notwithstanding the foregoing, (x) if the ownership of the ARS is no longer maintained in book-entry form by a Securities Depository, the Applicable ARS Rate for any ARS Interest Period commencing after the delivery of certificates representing the ARS shall equal the ARS Maximum Rate and the succeeding Auction Period shall be the same as the preceding Auction Period; or (y) if an ARS Payment Default shall have occurred with respect to the ARS, the Applicable ARS Rate for the ARS Interest Period commencing on or immediately after such ARS Payment Default and for each ARS Interest Period thereafter, to and including the ARS Interest Period, if any, during which, or commencing less than two Business Days after, such ARS Payment Default is cured in accordance with the applicable Supplemental Resolution, shall equal the Non-Payment Rate on the first day of each such ARS Interest Period, provided that if an Auction occurred on the Business Day immediately preceding any such ARS Interest Period, the Applicable ARS Rate for such Series for such ARS Interest Period shall be the Non-Payment Rate.

Medium of Payment. The principal of and interest on the Series of ARS shall be payable in any currency of the United States of America which on the respective dates for payment thereof is legal tender for the payment of public and private debts. The principal of and interest on ARS (other than at maturity) shall be payable by check mailed to the registered owner thereof on the Record Date at the address of such registered owner as it appears on the registration books maintained by the Trustee. Interest payable on any ARS Interest Payment Date to a registered owner of ARS in the aggregate principal amount of \$1,000,000 or more may, upon written request by such registered owner received by the Trustee prior to the Record Date preceding such ARS Interest Payment Date, be paid by wire transfer to a designated account in the United States. Such written request shall remain in effect until rescinded in writing by such registered owner. The principal of each ARS at maturity will be paid upon presentation and surrender thereof at the principal office of the Trustee set forth in the applicable Supplemental Resolution. Unless otherwise requested by the Securities Depository, payments of the principal of ARS, at maturity or upon redemption, and payments of interest on ARS made by wire transfer, shall be made by the Trustee in immediately available funds, provided, however, that such method of payment may be modified by written agreement among the Trustee, the Securities Depository and the Auction Agent.

ARS Defaulted Interest. The Trustee shall determine not later than 2:00 p.m., New York City time, on each ARS Interest Payment Date, whether an ARS Payment Default has occurred. If an ARS Payment Default has

occurred, the Trustee will send a Notice of ARS Payment Default to the Auction Agent and each Broker-Dealer, not later than 2:30 p.m. New York City time on such Business Day by telecopy or similar means and if such ARS Payment Default is cured, the Trustee shall immediately send a Notice of Cure of ARS Payment Default to the Auction Agent and each Broker-Dealer by telecopy or similar means. ARS Defaulted Interest shall forthwith cease to be payable to the ARS Beneficial Owner on the relevant Record Date by virtue of having been such ARS Beneficial Owner and such ARS Defaulted Interest shall be payable to the Person in whose name the ARS with respect to such ARS Payment Default occurred are registered at the close of business on a Special Record Date fixed therefor by the Trustee, which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of ARS Defaulted Interest. The Trustee shall promptly notify Energy Northwest of the Special Record Date and, at Energy Northwest's expense, mail to each ARS Beneficial Owner of ARS as to which ARS Defaulted Interest is payable, not less than ten days before the Special Record Date, notice of the date of the proposed payment of such ARS Defaulted Interest.

Auction Participants

Existing Holders and Potential Holders. Participants in each Auction will include: (i) "Existing Holders," which shall mean any Person who is listed as the Beneficial Owner in the applicable Existing Holder Registry at the close of business on the Business Day immediately preceding such Auction, and (ii) "Potential Holders," which shall mean any person, including any Existing Holder, who may be interested in acquiring ARS (or, in the case of an Existing Holder, an additional principal amount of ARS).

By purchasing ARS, whether in an Auction or otherwise, each prospective purchaser of ARS or its Broker-Dealer must agree and will be deemed to have agreed: (i) to participate in Auctions on the terms described in the Auction Procedures; (ii) so long as the beneficial ownership of the ARS is maintained in book-entry form by the Securities Depository, to sell, transfer or otherwise dispose of ARS only pursuant to a Bid or a Sell Order 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 ARS so transferred, its Participant or its Broker-Dealer advises the Auction Agent of such transfer; (iii) to have its beneficial ownership of ARS maintained at all times in book-entry form by the Securities Depository for the account of its Participant of the Securities Depository, which in turn will maintain records of such beneficial ownership, and to authorize such Participant to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request; (iv) that a Sell Order placed by an Existing Holder shall constitute an irrevocable offer to sell the principal amount of ARS specified in such Sell Order if Sufficient Clearing Bids exist; (v) that a Sell Order placed by an Existing Holder shall constitute an irrevocable offer to sell such principal amount or a lesser principal amount of outstanding ARS as set forth in the Auction Agent Agreement, if Sufficient Clearing Bids have not been made; (vi) that a Bid placed by an Existing Holder shall constitute an irrevocable offer to sell the principal amount or a lesser principal amount of ARS specified in such Bid if the rate specified in such Bid is greater than the Auction Rate determined in the Auction; (vii) that a Bid placed by an Existing Holder shall constitute an irrevocable offer to sell the principal amount of outstanding ARS to be determined as set forth in the Auction Agent Agreement, if the rate specified in such Bid is equal to the Applicable ARS Rate determined in the Auction or is higher than the ARS Maximum Rate and Sufficient Clearing Bids have not been made; (viii) that a Bid placed by a Potential Holder shall constitute an irrevocable offer to purchase the principal amount of ARS specified in such Bid if the rate specified in such Bid is less than the Applicable ARS Rate determined in the Auction and (ix) that a Bid placed by a Potential Holder shall constitute an irrevocable offer to purchase such principal amount or a lesser principal amount of outstanding ARS as set forth in the Auction Agent Agreement, if the rate specified in such Bid is equal to the Applicable ARS Rate.

Auction Agent. Any Auction Agent shall be (i) subject to the written approval of the applicable Bond Insurer and each Broker-Dealer, (ii) 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, New York, or such other location as approved by the Trustee and the Market Agent in writing and having a combined capital stock or surplus of at least \$50,000,000, or (iii) 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 applicable Supplemental Resolution and under the Auction Agent Agreement. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Supplemental Resolutions by giving at least 45 days' notice to the Trustee, the Broker-Dealer, Energy Northwest, the applicable Bond Insurer and the Market Agent. The Auction Agent may be removed at any time by the Trustee, upon the

written direction of (i) Energy Northwest, with the consent of the applicable Bond Insurer, (ii) the applicable Bond Insurer, or (iii) the ARS Beneficial Owners of 66-2/3% of the aggregate principal amount of the ARS then outstanding, by an instrument signed by the Trustee and filed with the Auction Agent, the Market Agent, Energy Northwest and the applicable Bond Insurer upon at least 30 days' notice. Neither the resignation nor the removal of the Auction Agent pursuant to the preceding two sentences shall be effective until and unless a substitute Auction Agent has been appointed and has accepted such appointment. The Auction Agent may terminate the Auction Agent Agreement if, within 45 days after notifying the Trustee, Energy Northwest, the applicable Bond Insurer and the Market Agent in writing that it has not received payment of any Auction Agent Fee due it, in accordance with the terms of the Auction Agent Agreement and the Auction Agent does not receive such payment. The Auction Agent may be removed at any time, at the written request of Energy Northwest, for any breach of its obligations under each Supplemental Resolution or the Auction Agent Agreement. The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under the applicable Supplemental Resolution arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God; earthquakes; fires; floods; wars; civil or military authority or governmental actions; acts of terrorism; failure of telephone (or other communications systems); computer systems (hardware or software); it being understood that the Auction Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

If the Auction Agent shall resign or be removed or be 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, the Trustee, at the direction of Energy Northwest, shall use its best efforts to appoint a substitute Auction Agent.

Broker-Dealers. Energy Northwest may, from time to time, appoint one or more additional Persons to serve as Broker-Dealers who shall be subject to the consent of the applicable Bond Insurer, not to be unreasonably withheld. Any Broker-Dealer may be removed at any time, at the written request of Energy Northwest, with the consent of the applicable Bond Insurer, such removal not to take effect until a successor has been installed.

Market Agent. The Market Agent shall be a member of the National Association of Securities Dealers, Inc. having capitalization of at least \$25,000,000, and be authorized by law to perform all the duties imposed upon it by the applicable Supplemental Resolution and the Market Agent Agreement. The Market Agent may be removed by the Trustee at any time upon and pursuant to the written direction of (i) Energy Northwest or (ii) the ARS Beneficial Owners of 66-2/3% of the aggregate principal amount of the ARS then outstanding; provided that such removal shall not take effect until the appointment by the ARS Beneficial Owners or the Trustee of a substitute Market Agent. Any substitute Market Agent shall be subject to the prior written approval of the Bond Insurer. The Market Agent may resign upon 30 days' written notice delivered to the Trustee, provided that such resignation shall not take effect until the appointment of a substitute Market Agent. The Market Agent may be removed at any time, at the written request of Energy Northwest, for any breach of its obligations under the applicable Supplemental Resolution or the Market Agent Agreement.

Auction Procedures

Submission of Orders. So long as the ownership of the ARS of a Subseries or a Series is maintained in book-entry form by the Securities Depository, an Existing Holder may sell, transfer or otherwise dispose of ARS of a Subseries or a Series only pursuant to a Bid or Sell Order 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. Subject to the provisions of the applicable Supplemental Resolution, Auctions will be conducted on each Auction Date, if there is an Auction Agent on such Auction Date, in the following manner.

Prior to the Submission Deadline on each Auction Date: (a) each Existing Holder of ARS may submit to a Broker-Dealer by telephone or otherwise any information as to: (i) the principal amount of outstanding ARS of a Subseries or a Series, 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 ARS Interest Period (a "Hold Order"); (ii) the principal amount of outstanding ARS of a Subseries or a Series, if any, which such Existing Holder offers to sell if the Auction Rate for the next succeeding ARS Interest Period shall be less than the rate per annum specified by such

Existing Holder (a “Bid”); and/or (iii) the principal amount of outstanding ARS of a Subseries or a Series, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Auction Rate for the next succeeding ARS Interest Period (a “Sell Order”); and (b) one or more Broker-Dealers may contact Potential Holders to determine the principal amount of ARS of a Subseries or a Series which each Potential Holder offers to purchase, if the Auction Rate for the next succeeding ARS Interest Period shall not be less than the rate per annum specified by such Potential Holder (also a “Bid”).

Each Hold Order, Bid and Sell Order shall be an “Order.” Each Existing Holder and each Potential Holder placing an Order is referred to as a “Bidder.”

Subject to the provisions described below under “ – *Validity of Orders*,” a Bid by an Existing Holder shall constitute an irrevocable offer to sell (in each case for settlement in same day funds on the next ARS Interest Payment Date therefor at a price equal to 100% of the principal amount thereof): (i) the principal amount of outstanding ARS of a Subseries or a Series specified in such Bid if the Auction Rate shall be less than the rate specified in such Bid; (ii) such principal amount or a lesser principal amount of outstanding ARS of a Subseries or a Series to be determined as described below in “ – *Acceptance and Rejection of Orders*,” if the Auction Rate shall be equal to the rate specified in such Bid; or (iii) such principal amount or a lesser principal amount of outstanding ARS of a Subseries or a Series to be determined as described below in “ – *Acceptance and Rejection of Orders*,” if the rate specified therein shall be higher than the ARS Maximum Rate and Sufficient Clearing Bids have not been made.

Subject to the provisions described below under “ – *Validity of Orders*,” a Sell Order by an Existing Holder shall constitute an irrevocable offer to sell (in each case for settlement in same day funds on the next ARS Interest Payment Date therefor at a price equal to 100% of the principal amount thereof): (i) the principal amount of outstanding ARS of a Subseries or a Series specified in such Sell Order if Sufficient Clearing Bids exist; or (ii) such principal amount or a lesser principal amount of outstanding ARS of a Subseries or a Series as described below in “ – *Acceptance and Rejection of Orders*,” if Sufficient Clearing Bids have not been made.

Subject to the provisions described below under “ – *Validity of Orders*,” a Bid by a Potential Holder shall constitute an irrevocable offer to purchase (in each case for settlement in same day funds on the next ARS Interest Payment Date therefor at a price equal to 100% of the principal amount thereof): (i) the principal amount of outstanding ARS of a Subseries or a Series specified in such Bid if the Auction Rate shall be higher than the rate specified in such Bid, or (ii) such principal amount or a lesser principal amount of outstanding ARS of a Subseries or a Series as described below in “ – *Acceptance and Rejection of Orders*,” if the Auction Rate is equal to the rate specified in such Bid.

Validity of Orders. 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 Order: (a) the name of the Bidder placing such Order, and (b) the aggregate principal amount of ARS of a Subseries or a Series that are subject to such Order. To the extent that such Bidder is an Existing Holder, each Broker-Dealer shall also specify: (i) the principal amount of ARS of a Subseries or a Series, if any, subject to any Hold Order placed by such Existing Holder; (ii) the principal amount of ARS of a Subseries or a Series, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and (iii) the principal amount of ARS of a Subseries or a Series, if any, subject to any Sell Order placed by such Existing Holder. To the extent such Bidder is a Potential Holder, each Broker-Dealer shall specify the rate specified in such Potential Holder’s Bid.

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 higher one-thousandth (.001) of one percent.

If an Order or Orders covering all outstanding ARS of a Subseries or a Series 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 ARS held by such Existing Holder and not subject to an Order submitted to the Auction Agent.

None of Energy Northwest, the Trustee or 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, nor

shall any such party be responsible for failure by any Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers.

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 ARS held by such Existing Holder, such Orders shall be considered valid as follows and in the order of priority described below.

All Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of outstanding ARS of a Subseries or a Series held by such Existing Holder, and if the aggregate principal amount of ARS of a Subseries or a Series subject to such Hold Orders exceeds the aggregate principal amount of ARS of a Subseries or a Series held by such Existing Holder, the aggregate principal amount of ARS of a Subseries or a Series subject to each such Hold Order shall be reduced so that the aggregate principal amount of ARS of a Subseries or a Series subject to such Hold Orders equals the aggregate principal amount of outstanding ARS of a Subseries or a Series held by such Existing Holder.

Any Bid shall be considered valid up to and including the excess of the principal amount of outstanding ARS of a Subseries or a Series held by such Existing Holder over the aggregate principal amount of ARS of a Subseries or a Series subject to any Hold Order referred to in the preceding paragraph. Subject to the preceding sentence, if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of outstanding ARS of a Subseries or a Series subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess. Subject to the preceding two sentences, 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. In any such event, the amount of outstanding ARS of a Subseries or a Series, if any, subject to Bids not valid under the provisions described in this paragraph shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified.

All Sell Orders shall be considered valid up to and including the excess of the principal amount of outstanding ARS of a Subseries or a Series held by such Existing Holder over the aggregate principal amount of ARS of a Subseries or a Series subject to Hold Orders and valid Bids referred to in the preceding two paragraphs.

If more than one Bid for ARS of a Subseries or a Series is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and principal amount therein specified. Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of ARS of a Subseries or a Series not equal to a Authorized Denomination shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of ARS of a Subseries or a Series not equal to a Authorized Denomination shall be rejected.

Any Bid specifying a rate higher than the ARS Maximum Rate will be treated as a Sell Order if submitted by an Existing Holder and will not be accepted if submitted by a Potential Holder. Any Bid submitted by an Existing Holder or on behalf of a Potential Holder specifying a rate lower than the All-Hold Rate shall be considered as valid and shall be selected in the ascending order of their respective rates contained in the Submitted Bids.

Any Order submitted in an Auction by a Broker-Dealer to the Auction Agent prior to the Submission Deadline on any Auction Date shall be irrevocable.

A Hold Order, a Bid or a Sell Order that has been determined valid pursuant to the procedures described above is referred to as a "Submitted Hold Order," a "Submitted Bid" and a "Submitted Sell Order," respectively (collectively, "Submitted Orders").

Determination of Sufficient Clearing Bids and Winning Bid Rate. Not earlier than the Submission Deadline on each Auction Date, the Auction Agent will assemble all Submitted Orders and will determine:

(a) the excess of the total principal amount of outstanding ARS of a Subseries or a Series over the sum of the aggregate principal amount of outstanding ARS subject to Submitted Hold Orders (such excess being hereinafter referred to as the “Available Series ARS”); and

(b) from the Submitted Orders whether the aggregate principal amount of outstanding ARS of a Subseries or a Series subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the ARS Maximum Rate exceeds or is equal to the sum of (i) the aggregate principal amount of outstanding ARS of a Subseries or a Series subject to Submitted Bids by Existing Holders specifying one or more rates higher than the ARS Maximum Rate and (ii) the aggregate principal amount of outstanding ARS of a Subseries or a Series subject to Submitted Sell Orders (in the event such excess or such equality exists, other than because all of the outstanding ARS of a Subseries or a Series are subject to Submitted Hold Orders, such Submitted Bids by Potential Holders described above shall be referred to collectively as “Sufficient Clearing Bids”); and

(c) if Sufficient Clearing Bids exist, the lowest rate specified in such Submitted Bids (the “Winning Bid Rate”), such that if:

(i) each such Submitted Bid from Existing Holders specifying such lowest rate and 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 ARS of a Subseries or a Series subject to such Submitted Bids); and

(ii) each such Submitted Bid from Potential Holders specifying such lowest rate and all other Submitted Bids from Potential Holders specifying such lower rates were accepted,

the result would be that such Existing Holders described in clause (c)(i) above would continue to hold an aggregate principal amount of outstanding ARS of a Subseries or a Series, which, when added to the aggregate principal amount of outstanding ARS of a Subseries or a Series to be purchased by such Potential Holders described in clause (c)(ii) above, would equal not less than the Available Series ARS.

Notice of Applicable ARS Rate. Promptly after the Auction Agent has made the determinations described above, the Auction Agent will advise the Broker-Dealer and the Trustee of the ARS Maximum 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 ARS Interest Period as follows: (a) if Sufficient Clearing Bids exist, that the Auction Rate for the next succeeding ARS Interest Period shall equal the Winning Bid Rate so determined; (b) if Sufficient Clearing Bids do not exist (other than because all of the outstanding ARS of a Subseries or a Series are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding ARS Interest Period shall equal the ARS Maximum Rate; or (c) if all outstanding ARS of a Subseries or a Series are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding ARS Interest Period shall equal the All-Hold Rate.

Acceptance and Rejection of Orders. Existing Holders shall continue to hold the principal amount of ARS that are subject to Submitted Hold Orders. Based on the determinations made as described above in “—*Determination of Sufficient Closing Bids and Winning Bid Rate,*” Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the requirements described below under “— Authorized Denomination Requirement,” 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 ARS of a Subseries or a Series 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 ARS of a Subseries or a Series subject to such Submitted Bids;

(c) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted;

(d) each Existing Holder's Submitted Bid specifying a rate equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of ARS of a Subseries or a Series subject to such Submitted Bid, unless the aggregate principal amount of outstanding ARS of a Subseries or a Series subject to all such Submitted Bids shall be greater than the principal amount of ARS of a Subseries or a Series (the "remaining principal amount") equal to the excess of the Available Series ARS over the aggregate principal amount of ARS of a Subseries or a Series subject to Submitted Bids described in subparagraphs (b) and (c) above, 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 ARS of a Subseries or a Series subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of ARS of a Subseries or a Series obtained by multiplying the remaining principal amount by a fraction, the numerator of which shall be the principal amount of outstanding ARS of a Subseries or a Series 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 ARS 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 equal to the Winning Bid Rate shall be accepted, but only in an amount equal to the principal amount of ARS of a Subseries or a Series obtained by multiplying the excess of the aggregate principal amount of Available Series ARS over the aggregate principal amount of ARS of a Subseries or a Series subject to Submitted Bids described in subparagraphs (b), (c) and (d) above by a fraction, the numerator of which shall be the aggregate principal amount of outstanding ARS of a Subseries or a Series subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of outstanding ARS of a Subseries or a Series subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

If Sufficient Clearing Bids have not been made (other than because all of the outstanding ARS of a Subseries or a Series are subject to Submitted Hold Orders), subject to the requirements described below under "*Minimum Authorized Denomination Requirement*," 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 ARS Maximum Rate shall be rejected, thus entitling such Existing Holders to continue to hold the aggregate principal amount of ARS of a Subseries or a Series subject to such Submitted Bids;

(b) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the ARS Maximum Rate shall be accepted, and specifying any rate that is higher than the ARS Maximum Rate shall be rejected; and

(c) each Existing Holder's Submitted Bid specifying any rate that is higher than the ARS Maximum 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 ARS of a Subseries or a Series subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of ARS of a Subseries or a Series obtained by multiplying the aggregate principal amount of ARS of a Subseries or a Series subject to Submitted Bids described in subparagraph (b) above which are accepted by a fraction, the numerator of which shall be the aggregate principal amount of outstanding ARS of a Subseries or a Series 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 ARS of a Subseries or a Series subject to all such Submitted Bids and Submitted Sell Orders.

If all outstanding ARS of a Subseries or a Series are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

Authorized Denomination Requirement. If, as a result of the procedures described above regarding Sufficient Clearing Bids and Insufficient Clearing Bids, 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 ARS of a Subseries or a Series that is not equal to an Authorized Denomination, the Auction Agent shall, in such manner as in its sole discretion it shall determine, round up or down the principal amount of ARS of a Subseries or a Series to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount of ARS of a Subseries or a Series purchased or sold by each Existing Holder or Potential Holder shall be equal to an Authorized Denomination. If, as a result of the procedures described above regarding Insufficient Clearing Bids, any Potential Holder would be entitled or required to purchase less than an Authorized Denomination of ARS of a Subseries or a Series, the Auction Agent shall, in such manner as in its sole discretion it shall determine, allocate ARS of a Subseries or a Series for purchase among Potential Holders so that only ARS in Authorized Denominations are purchased by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any ARS of a Subseries or a Series.

No Liability. Energy Northwest, the Trustee, the Broker-Dealers and the Auction Agent shall have no liability in the event that there are not Sufficient Clearing Bids from time to time pursuant to the Auction Procedures.

Settlement Determinations. Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amount of ARS of a Subseries or a Series to be purchased and the aggregate principal amount of ARS of a Subseries or a Series 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 ARS of a Subseries or a Series to be sold differs from such aggregate principal amount of ARS of a Subseries or a Series to be purchased, determine to which other Broker-Dealer(s) acting for one or more purchasers such Broker-Dealer shall deliver, or from which Broker-Dealer(s) acting for one or more sellers such Broker-Dealer shall receive, as the case may be, ARS of a Subseries or a Series.

Rate Determinations. Any calculation by the Auction Agent of the Applicable ARS Rate, the “AA” Financial Commercial Paper Rate, the ARS Maximum Rate, the All-Hold Rate and the Non-Payment Rate shall, in the absence of manifest error, be binding on all ARS Beneficial Owners and other parties.

Settlement Procedures

(a) Not later than 3:00 p.m., New York City time, on each Auction Date, the Auction Agent shall notify by telephone (or other means acceptable to the parties) each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of an Existing Holder or Potential Holder of: (i) the Auction Rate fixed for the next ARS 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 ARS of a Subseries or a Series, 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 ARS of a Subseries or a Series, if any, to be purchased by such Potential Holder; (v) if the aggregate principal amount of ARS of a Subseries or a Series to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted a Bid or a Sell Order exceeds the aggregate principal amount of ARS of a Subseries or a Series to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Buyer’s Broker-Dealers (and the name of the Participant, if any, of each such Buyer’s Broker-Dealer) acting for one or more purchasers of such excess principal amount of ARS of a Subseries or a Series and the principal amount of ARS of a Subseries or a Series 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 Buyer’s Broker-Dealers acted; (vi) if the principal amount of ARS of a Subseries or a Series to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid exceeds the aggregate principal amount of ARS of a Subseries or a Series 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 Participant, if any, of each such Seller’s Broker-Dealer) acting for one or more

sellers of such excess principal amount of ARS of a Subseries or a Series and the principal amount of ARS of a Subseries or a Series 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; and (vii) 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) in the case of a Buyer's Broker-Dealer, advise each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Holder's Participant to pay to such Broker-Dealer (or its Participant) through the Securities Depository the amount necessary to purchase the principal amount of ARS of a Subseries or a Series to be purchased pursuant to such Bid against receipt of such ARS of a Subseries or a Series; (iii) in the case of 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 the Securities Depository the principal amount of ARS of a Subseries or a Series to be sold pursuant to such 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 ARS 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 in connection with such Auction pursuant to clause (b)(ii) above, and any ARS of a Subseries or a Series received by it in connection with such Auction pursuant to clause (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 clause (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 clause (b)(ii) or (b)(iii) above, as the case may be; (ii) each Seller's Broker-Dealer that is not a Participant of the Securities Depository shall instruct its Participant to (a) pay through the Securities Depository to the Participant of the Existing Holder delivering ARS of a Subseries or a Series to such Broker-Dealer following such Auction pursuant to clause (b)(iii) above the amount necessary to purchase such ARS of a Subseries or a Series against receipt of such ARS of a Subseries or a Series, and (b) deliver such ARS of a Subseries or a Series through the Securities Depository to a Buyer's Broker-Dealer (or its Participant) identified to such Seller's Broker-Dealer pursuant to clause (a)(v) above against payment therefor; and (iii) each Buyer's Broker-Dealer that is not a Participant in the Securities Depository shall instruct its Participant to (a) pay through the Securities Depository to Seller's Broker-Dealer (or its Participant) identified following such Auction pursuant to clause (a)(vi) above the amount necessary to purchase the ARS of a Subseries or a Series to be purchased pursuant to clause (b)(ii) above against receipt of such ARS of a Subseries or a Series, and (b) deliver such ARS of a Subseries or a Series through the Securities Depository to the Participant of the purchaser thereof against payment therefor.

(e) On the Business Day following each Auction Date: (i) each Participant for a Bidder in the Auction on such Auction Date referred to in clause (d)(i) above shall instruct the Securities Depository to execute the transactions described under clause (b)(ii) or (b)(iii) above for such Auction, and the Securities Depository shall execute such transactions; (ii) each Seller's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in clause (d)(ii) above for such Auction, and the Securities Depository shall execute such transactions; and (iii) each Buyer's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in clause (d)(iii) above for such Auction, and the Securities Depository shall execute such transactions.

(f) If an Existing Holder selling ARS of a Subseries or a Series in an Auction fails to deliver such ARS of a Subseries or a Series (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 ARS of a Subseries or a Series that is less than the principal amount of ARS of a Subseries or a Series that otherwise was to be purchased by such Potential Holder. In such event, the principal amount of ARS of a Subseries or a Series to be so delivered shall be determined solely by such Broker-Dealer. Delivery of such lesser principal amount of ARS of a Subseries or a Series shall constitute good delivery. Notwithstanding the foregoing terms described in this paragraph (f), any delivery or nondelivery of ARS of a Subseries or a Series 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 nondelivery in accordance with the provisions of the Auction Agent Agreement and the Broker-Dealer Agreements.

Agreement of Holders

By purchasing ARS of a Subseries or a Series, whether in an Auction or otherwise, each prospective purchaser of ARS of a Subseries or a Series or its Broker-Dealer will be deemed to have agreed to the provisions for the replacement of each Auction Agent, each Broker-Dealer and each Market Agent as provided in the applicable Supplemental Resolution, and relevant agreements among Energy Northwest, the Trustee, each Auction Agent, each Market Agent and each Broker-Dealer, as appropriate.

Calculation of Certain Rates Relating to an Auction

The Auction Agent will calculate the ARS Maximum Rate and the All-Hold Rate on each Auction Date. If the ownership of the ARS of a Subseries or a Series is no longer maintained in book-entry form by the Securities Depository, the Auction Agent will calculate the ARS Maximum Rate for such Series on the Business Day immediately preceding each ARS Interest Payment Date after the delivery of certificates representing such ARS pursuant to the applicable Supplemental Resolution. If an ARS Payment Default shall have occurred, the Auction Agent will calculate the Non-Payment Rate on the first day of (i) each ARS Interest Period commencing on or after the date of the occurrence and during the continuance of such ARS Payment Default and (ii) any ARS Interest Period commencing less than two Business Days after the cure of any ARS Payment Default. The Auction Agent will determine the “AA” Financial Commercial Paper Rate for each ARS Interest Period other than the first ARS Interest Period; provided, that if the ownership of ARS is no longer maintained in book-entry form, or if an ARS Payment Default has occurred, then the Auction Agent will determine the “AA” Financial Commercial Paper Rate for each such ARS Interest Period. The determination by the Auction Agent of the “AA” Financial Commercial Paper Rate, ARS Maximum Rate, All-Hold Rate and Non-Payment Rate shall (in the absence of manifest error) be final and binding upon all ARS Beneficial Owners and all other parties. The Auction Agent shall promptly advise the Trustee of the “AA” Financial Commercial Paper Rate, ARS Maximum Rate, All-Hold Rate and Non-Payment Rate.

If the Federal Reserve Bank of New York has not made available its 30-day commercial paper rate for purposes of determining “AA” Financial Commercial Paper Rate, the Auction Agent shall request that Energy Northwest appoint at least three commercial paper dealers to provide commercial paper quotes for purposes of determining the “AA” Financial Commercial Paper Rate; and if Energy Northwest shall fail to make any such appointment within three Business Days following such request, the Auction Agent shall appoint such commercial paper dealers and notify Energy Northwest of such appointment.

Adjustment in Percentages

With the consent of the applicable Bond Insurer, the Market Agent will adjust the percentage used in determining the All-Hold Rate, the Applicable Percentage used in determining the ARS Maximum Rate and the percentage of the Index used in calculating the Non-Payment Rate, if any such adjustment is necessary, in the judgment of the Market Agent, to reflect any change in market convention or Change of Tax Law such that ARS of a Subseries or a Series bearing interest at such rates will have substantially the same market value after such change in market convention or Change of Tax Law as before such Change of Tax Law. In making any such adjustment, the Market Agent will take into account the following factors, as in existence both before and after such change in market convention or Change of Tax Law: (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 ARS;

(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 ARS.

The Market Agent will communicate its determination to adjust the percentage used in determining the All-Hold Rate, the Adjustable Percentage used in determining the ARS Maximum Rate and the percentage of the Index used in calculating the Non-Payment Rate by means of a Notice of Proposed Percentage Change delivered in writing to Energy Northwest, the Trustee, the Broker-Dealer, the Auction Agent and the applicable Bond Insurer at least 10 days prior to the Auction Date on which the Market Agent desires to effect the change. Such notice will be effective only if accompanied by the form of a Favorable Opinion of Bond Counsel.

Any such adjustment in percentages will take effect on an Auction Date only if: (i) the Trustee, Energy Northwest, the Broker-Dealer and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day immediately preceding such Auction Date, a Notice of Percentage Change from the Market Agent by telecopy or similar means, (a) authorizing the adjustment of the percentage which shall be specified in such authorization, and (b) confirming that Bond Counsel expects to be able to deliver a Favorable Opinion of Bond Counsel on or prior to such Auction Date, and (ii) the Trustee, Energy Northwest, the Broker-Dealer and the Auction Agent receive by 9:30 a.m., New York City time, on such Auction Date, a Favorable Opinion of Bond Counsel. If any of these conditions are not met, the existing percentages will remain in effect and the rate of interest for each succeeding ARS Interest Period until each such condition is met will equal the ARS Maximum Rate on the Auction Date for such succeeding ARS Interest Period.

Changes in Auction Period or Auction Date

Changes in Auction Period. The Auction Period for ARS of a Subseries or a Series with respect to each ARS Interest Rate Period, if any, for such Series initially shall be a seven-day period, a 28-day period or a 35-day period commencing generally on a Monday, generally on a Tuesday, generally on a Wednesday, generally on a Thursday, or generally on a Friday, in each case as announced by Energy Northwest in its notice of the proposed Conversion to such subsequent ARS Interest Rate Period as described in this Appendix under “Conversion to Different Interest Rate Period.”

During any ARS Interest Rate Period, Energy Northwest may from time to time on any ARS Interest Payment Date with respect to ARS of a Subseries or a Series, change the length of the Auction Period with respect to all of the ARS of such Subseries or Series among seven-days, 28-days and 35-days or change the first day of each Auction Period, or both, in each case in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by the ARS of such Series. Energy Northwest shall initiate the change in the length or day of commencement of the Auction Period, or both, by giving written notice to the Trustee, Energy Northwest, the applicable Bond Insurer, the Auction Agent, the Broker-Dealer and the Securities Depository that the Auction Period shall change if the conditions described in the applicable Supplemental Resolution are satisfied and the proposed effective date of the change, at least three Business Days prior to the Auction Date for such Auction Period. Any such changed Auction Period shall be for a period of seven days, 28 days or 35 days and shall be for all of the ARS of a Subseries or a Series.

No change in the length or the day of commencement of the Auction Period for a Series of ARS shall 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 provided in the paragraph above and the Auction immediately preceding the proposed change. The change in length of the Auction Period for a Series of ARS shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for the first such Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Holder shall be deemed to have submitted Sell Orders with respect to all of its ARS of such Series except to the extent such Existing Holder submits a Hold Order with respect to such ARS. If the condition referred to in the second sentence of this paragraph is not met, the Auction Rate for the next Auction Period shall be the ARS Maximum Rate, and the Auction Period shall be the Auction Period already in effect.

Changes in Auction Date. During any ARS Interest Rate Period, Energy Northwest may specify an earlier Auction Date for any Business Day earlier (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 order to conform

with then current market practice with respect to similar securities or 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 applicable Series of ARS. Energy Northwest will provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Broker-Dealer, the Auction Agent and the Securities Depository.

Conversion to ARS Interest Rate Period

Energy Northwest may elect that the Series 2003-C, D & E Bonds of a Subseries or Series shall bear interest at the Applicable ARS Rate, by written direction to the Trustee, the Tender Agent (if any), the Liquidity Facility Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and each Broker-Dealer (if any) specifying (a) the proposed effective date of the Conversion to the Applicable ARS Rate, which shall be (1) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a Conversion from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long Term Interest Rate Period or a day on which the Series 2003-C, D & E Bonds of such Subseries or Series would otherwise be subject to optional redemption at par pursuant to the applicable Supplemental Resolution if such Conversion did not occur, and (3) in the case of a Conversion from a Short-Term Interest Rate Period, the day immediately following the last day of the Short-Term Interest Rate Period, (b) the Purchase Date for the Series 2003-C, D & E Bonds of such Subseries or Series to be purchased, which shall be the proposed effective date of the adjustment to the Applicable ARS Rate and (c) the initial Auction Period. In addition, the direction of Energy Northwest shall be accompanied by a form of notice to be mailed to the Holders of such Series 2003-C, D & E Bonds of such Subseries or Series by the Trustee as provided in the following paragraph. During each ARS Interest Rate Period for the Series 2003-C, D & E Bonds of such Subseries or Series commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by such Series 2003-C, D & E Bonds of such Subseries or Series shall be the Applicable ARS Rate.

The Trustee shall give notice by first-class mail of an adjustment to an ARS Interest Rate Period to the holders of the Series 2003-C, D & E Bonds of such Subseries or Series not less than 30 days prior to the proposed effective date of such ARS Interest Rate Period, stating (a) that the interest rate shall be adjusted to the Applicable ARS Rate unless Energy Northwest rescinds its election to adjust the interest rate to the Applicable ARS Rate as provided in the applicable Supplemental Resolution; (b) the proposed effective date of the ARS Interest Rate Period; and (c) that Series 2003-C, D & E Bonds of such Subseries or Series are subject to mandatory tender for purchase on the proposed effective date and setting forth the Purchase Price and the place of delivery for purchase of the Series 2003-C, D & E Bonds of such Subseries or Series.

Amendment of ARS Provisions

Notwithstanding any other provision of the Electric Revenue Bond Resolution, the provisions of the applicable Supplemental Resolution relating to ARS, including without limitation the mandatory tender provisions and the definitions of terms used in the applicable Supplemental Resolution (including without limitation the definitions of "AA" Financial Commercial Rate, Applicable ARS Rate, Applicable Percentage, All-Hold Rate, ARS Maximum Rate, and Non-Payment Rate) may be amended by Energy Northwest, (i) upon obtaining an Opinion of Bond Counsel that the same does not materially adversely affect the rights of the ARS Beneficial Owners or (ii) by obtaining the consent of the ARS Beneficial Owners. In the case of clause (ii) above, the Trustee shall mail notice of such amendment to the ARS Beneficial Owners, and if, on the first Auction Date occurring at least 30 days after the date on which the Trustee mailed such notice, Sufficient Clearing Bids have been received or all of the ARS are subject to Submitted Hold Orders, the proposed amendment shall be deemed to have been consented to by the ARS Beneficial Owners. As an additional condition precedent to any such amendment pursuant to such provisions of the applicable Bond Supplemental Resolution, there shall be delivered to Energy Northwest, and the Trustee an opinion of Bond Counsel to the effect that such amendment will not adversely affect the validity of the ARS or the exclusion of interest on any of the ARS from gross income for federal income tax purposes. Written notice of each such amendment shall be delivered by Energy Northwest to the Trustee, the Auction Agent, the Market Agent and each Broker-Dealer.

**SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT
AND THE REIMBURSEMENT AGREEMENT**

The following is a summary of certain provisions of the Letter of Credit and the Reimbursement Agreement to which reference is made for the complete provisions thereof. Terms used herein and not otherwise defined herein or under "Certain Definitions" herein shall have the meanings ascribed thereto in the Official Statement.

The Letter of Credit

Subject to the terms of the Reimbursement Agreement described below, JPMorgan Chase Bank will issue a direct pay Letter of Credit which shall be drawn upon for the payment of principal of, interest on and purchase price of the Series 2003-E Bonds, which is irrevocable, in an original stated amount of \$99,152,958.90 of which \$98,025,000 shall be with respect to the principal of the Series 2003-E Bonds or the portion of the purchase price corresponding to the principal thereof, and \$1,127,958.90 shall be with respect to up to thirty-five (35) days of accrued interest or the portion of the purchase price corresponding to interest at the maximum rate of twelve percent (12%) per annum.

The Letter of Credit shall be issued to the Trustee for the account of Energy Northwest. The stated amount of the Letter of Credit shall be reduced after the date of issuance in amounts equal to the amounts of any drawings thereunder, subject to reinstatement as described below.

The Letter of Credit will expire upon the earlier of: (i) April 10, 2006, unless extended by the Credit Issuer in its sole discretion, (ii) the date on which the Credit Issuer pays the Final Payment Drawing thereunder, (iii) the date on which the Credit Issuer pays the Final Purchase Drawing thereunder, and (iv) the date on which the Trustee delivers a Surrender Certificate thereunder to the Credit Issuer stating that no Series 2003-E Bonds are outstanding or all such Series 2003-E Bonds have been converted to the Fixed Rate or an Alternate Security has been delivered in replacement of the Letter or Credit.

Reduction. Upon payment by the Credit Issuer of a drawing to pay principal on the Series 2003-E Bonds (upon maturity, acceleration or redemption, but not to acquire unremarketed Series 2003-E Bonds), the amount available to be drawn under the Letter or Credit for payment of principal on the Series 2003-E Bonds shall be reduced automatically and permanently by an amount equal to the amount so drawn, the reduction of such amount to be effective on the date payment of such drawing is made by the Credit Issuer.

Upon payment by the Credit Issuer of a drawing to pay interest on the Series 2003-E Bonds, the amount available to be drawn under the Letter or Credit for the payment of interest on the Series 2003-E Bonds shall be reduced automatically, subject to reinstatement, by an amount equal to the amount so drawn, the reduction of such amount to be effective on the date payment of such drawing is made by the Credit Issuer.

Upon payment by the Credit Issuer of a drawing to pay the Purchase Price of unremarketed Series 2003-E Bonds, the stated amount of the Letter of Credit shall be reduced automatically, subject to reinstatement, as described below.

The amount available to be drawn under a Letter of Credit may also be reduced upon the filing by the Trustee with the Credit Issuer of a certificate directing such reduction.

Reinstatement. The amount available for payment of interest on the Series 2003-E Bonds shall be reinstated automatically in the full amount of the amount so drawn on the tenth (10th) day following a drawing for interest only unless the Credit Issuer otherwise notifies the Trustee.

The stated amount of the Letter or Credit will be reinstated, to the extent of any reductions in the stated amount of the Letter of Credit made pursuant to a drawing to pay the Purchase Price of unremarketed Series 2003-E

Bonds, with respect to principal and, if applicable, interest upon receipt by the Credit Issuer of a certificate of the Trustee that the Credit Issuer has been reimbursed for an amount equal to such reduction, except with respect to amounts relating to Matured Bank Bonds.

The Reimbursement Agreement

Reimbursement; Fees. Energy Northwest agrees to reimburse the Credit Issuer in full for drawings made upon the Letter of Credit on the date each drawing is honored or in the case of a drawing to pay the Purchase Price of unremarketed Series 2003-E Bonds, in accordance with the terms of such Series 2003-E Bonds. Energy Northwest also agrees to pay certain fees and expenses and other amounts. The obligations of Energy Northwest under the Reimbursement Agreement are secured on a parity with the Series 2003-E Bonds.

Events of Default. Each of the following events, having occurred and continuing, shall be an event of default (“Events of Default”) under the Reimbursement Agreement, respectively:

(1) Energy Northwest shall fail to make any reimbursement with respect to the Letter of Credit in accordance with such Reimbursement Agreement or pay any letter of credit fees in accordance with such Reimbursement Agreement; or

(2) Energy Northwest shall fail to pay any fees (except for letter of credit fees set forth in such Reimbursement Agreement), interest or any other amount due under such Reimbursement Agreement or the other Credit Documents when due and such failure shall continue for five (5) Business Days after the Administrative Agent shall have given notice thereof to Energy Northwest; or

(3) any representation or warranty made by Energy Northwest or Bonneville in any Credit Document or Bond Document, or in any certificate delivered pursuant to any Credit Document or Bond Document shall prove to have been incorrect in any material respect when made, or if repeated at any time with reference to the facts and circumstances existing at such time is not then correct in all material respects; or

(4)(i) Energy Northwest shall fail to perform or observe any term, covenant or agreement contained in such Reimbursement Agreement other than as described in (1), (2) and (8) herein on its part to be performed or observed and such failure shall continue for thirty (30) days after the Bank shall have given notice thereof to Energy Northwest so long as Energy Northwest has promptly commenced and is diligently taking all action to remedy such failure; *provided that*, such cure period shall not be applicable to the negative covenants, the covenants relating to Special BPA Events and certain covenants relating to the repayment and remarketing of Bank Bonds contained in such Reimbursement Agreement; and *provided further* that the cure period applicable to the covenant to deliver certain financial statements shall be 60 days; or (ii) Energy Northwest or Bonneville shall fail to perform or observe any term, covenant or agreement contained in any other Credit Document or in any Bond Document on its part to be performed or observed and such failure shall continue after any applicable grace period; or (iii) Energy Northwest or Bonneville shall fail to perform or observe any term, covenant or agreement contained in the Project 1 Documents or Project 3 Documents (as applicable to such Reimbursement Agreement) on its part to be performed or observed and such failure shall continue after any applicable grace period, except to the extent that such failure would not have a Material Adverse Effect; or

(5) Energy Northwest shall (i) fail to pay any principal, premium or interest with respect to Prior Lien Bonds, Subordinate Lien Bonds or Parity Subordinate Lien Obligations when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) in accordance with agreements or instruments relating to such Prior Lien Bonds, Subordinate Lien Bonds, or Parity Subordinate Lien Obligations or any other event shall occur or condition shall exist under any agreements or instruments relating to such Prior Lien Bonds, Subordinate Lien Bonds, or Parity Subordinate Obligations if the effect of such event or condition is to accelerate, or to cause or to permit, the acceleration of, any of such Prior Lien Bonds, Subordinate Lien Bonds, or Parity Subordinate Lien Obligations or (ii) fail to pay any principal, premium or interest with respect to other Project Debt when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) in accordance with agreements or instruments relating to such other Project Debt or any other event shall occur

or condition shall exist under any agreements or instruments relating to such other Project Debt if the effect of such nonpayment, event or condition is to accelerate, or to cause the acceleration of, any such other Project Debt; or

(6) Energy Northwest shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by Energy Northwest seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief of the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property; or any such proceeding shall be instituted against Energy Northwest, and such proceeding shall remain undismissed for a period of 60 consecutive days or more; or Energy Northwest shall take any action to authorize any of the actions set forth above in this paragraph (6); or

(7) Bonneville shall generally not pay its debts as such debts become due, except those debts the payment of which Bonneville is entitled by law to defer, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by Bonneville seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property, or any such proceeding shall be instituted against Bonneville, and such proceeding shall remain undismissed for a period of 60 consecutive days or more; or Bonneville shall take any action to authorize any of the actions set forth above in this paragraph (7); or

(8) a Special BPA Event shall have occurred and one year shall have elapsed since the occurrence of such Special BPA Event; or

(9) any judgment or order for the payment of money or the issuance of warrants in excess of \$10,000,000 shall be rendered against Energy Northwest and such judgment shall remain unsatisfied and either (i) the time for filing any appeal has expired and enforcement proceedings have been commenced by any creditor upon such judgment or order and shall remain unstayed or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement proceedings have been commenced by any creditor upon such judgment or order and shall remain unstayed or (iii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect unless such judgment or order shall have been vacated, dismissed or bonded pending appeal or, in the case of a judgment or order the entire amount (other than an amount not in excess of \$10,000,000) of which is covered by insurance, is the subject of a binding agreement with the plaintiff and the insurer covering payment therefor; or

(10) any judgment or order for the payment of money in excess of \$20,000,000 shall be rendered against Bonneville and such judgment or order shall remain unsatisfied for 30 days after it shall have been finally determined that such judgment or order shall be payable from the Bonneville Fund; or

(11) the applicable Electric Revenue Bond Resolution or the Supplemental Electric Revenue Bond Resolution after delivery thereof shall for any reason, except to the extent permitted by the terms thereof, cease to create a valid first priority security interest in the revenues, subject only to liens in favor of the holders of the Prior Lien Bonds created by the applicable Prior Lien Resolution; or

(12) (i) any provision of any Credit Document or Bond Document shall for any reason other than by the express terms thereof cease to be valid and binding on any party thereto, or Energy Northwest or Bonneville shall so assert in writing or (ii) other than as disclosed in this Official Statement, any provision of any Project 1 Document or Project 3 Document (as applicable to such Reimbursement Agreement) shall for any reason other than by the express terms thereof cease to be valid and binding on any party thereto, or Energy Northwest or Bonneville shall so assert in writing; or

(13) any default shall occur under the applicable Electric Revenue Bond Resolution or Supplemental Electric Revenue Bond Resolution.

Remedies. During the continuance of any such Event of Default, the Credit Issuer may, in its sole discretion, do any, none or all of the following:

(1) with respect to the occurrence of an Event of Default described in (1), (5)(i) (only if the effect of such nonpayment, event or condition under such paragraph 5(i) is to accelerate, or to cause the acceleration of, any of the Prior Lien Bonds, Subordinate Lien Bonds or Parity Subordinate Lien Obligations), (6) or (7) above in “Events of Default”, by notice to Energy Northwest declare all amounts payable by Energy Northwest under the Reimbursement Agreement and accrued to date to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are expressly waived by Energy Northwest; *provided, however,* that upon the occurrence of any of the events in (6) or (7) above in “Events of Default”, such amounts shall become due and payable automatically and immediately without presentment, demand, protest or any notice of any kind, all of which are expressly waived by Energy Northwest; and/or

(2) with respect to the occurrence of any Event of Default, give written notice to the Trustee of such occurrence, with the effect of causing a mandatory tender of the Series 2003-E Bonds; and/or

(3) with respect to the occurrence of any Events of Default, exercise any other available legal or equitable remedies available other than as set forth in clauses (1), (2) and (3) above.

Special BPA Events; Matured Bank Bonds. As soon as practical but not later than the earlier of (i) the date on which any Bank Bond becomes a Matured Bank Bond, and (ii) the date which is one year after the occurrence of a Special BPA Event, (x) Energy Northwest will provide (i) Alternate Security in full substitution for the Letter of Credit or provide substitute financing for all Bonds and (ii) in the event that such substitution shall not have occurred by such date, instruct the Trustee to convert the interest rate on the Bonds to a Long-Term Rate, a Fixed Rate or an Auction Rate, and cause the Bank Bonds bearing a Long-Term Rate, a Fixed Rate or an Auction Rate to be remarketed in connection with such conversion, and repay all obligations upon such substitution or conversion.

Upon the occurrence and during the continuance of a Special BPA Event, the Administrative Agent shall be entitled to, at the request of the Credit Issuer, give written notice to the Trustee of such occurrence with the effect of causing a mandatory tender of the Series 2003-E Bonds.

Certain Definitions

“*Bank Bond*” means any Series 2003-E Bond owned by the Credit Issuer in connection with the provision of moneys under the Letter of Credit.

“*Bond Documents*” means the Series 2003-E Bonds, the Electric Revenue Bond Resolutions, the Supplemental Electric Revenue Bond Resolutions, the Remarketing Agreement between Energy Northwest and the Remarketing Agent relating to the Series 2003-E Bonds, the Contract of Purchase relating to the Series 2003-E Bonds, the Letter of Representation of Bonneville delivered pursuant to the Reimbursement Agreement and each other agreement or instrument related to the issuance of the Series 2003-E Bonds.

“*Credit Documents*” means the Reimbursement Agreement, the Letter of Credit and any other document, instrument or agreement executed by Energy Northwest in connection with the Reimbursement Agreement.

“*Federal Appropriations Obligation*” means the appropriated investment in the Federal Columbia River Power System or any bond or other evidence of indebtedness issued by Bonneville to investors other than the United States Treasury and payable from the Bonneville Fund, the proceeds of which pay or prepay such investment.

“*Final Payment Drawing*” means a drawing for the principal of and interest on the Series 2003-E Bonds due on their redemption or acceleration, if all of the outstanding Series 2003-E Bonds are being redeemed or accelerated.

“*Final Purchase Drawing*” means a drawing for the purchase price of the Series 2003-E Bonds following the Trustee’s giving of notice of mandatory tender at the direction of the Credit Issuer.

“*Fixed Rate*” means the Long-Term Interest Rate in effect for a Long-Term Interest Rate Period that extends to the maturity date of the Series 2003-E Bonds.

“*Material Adverse Effect*” means, with respect to Energy Northwest or Bonneville, as the case may be, a material adverse effect on its ability to perform its obligations under any of the Credit Documents and the Bond Documents to which it is a party.

“*Matured Bank Bond*” means Bank Bonds with respect to which more than three years have elapsed since a drawing for the purchase thereof under the Letter of Credit.

“*Net Billed Credits*” means the obligation of Bonneville under net billing or similar agreements to provide credits against amounts due to Bonneville for the purchase and/or transmission of power or other related services.

“*Parity Subordinate Lien Obligations*” means (i) with respect to Project 1 only, the Project 1 Subordinated Notes and (ii) with respect to both Projects 1 and 3, bonds, notes or other obligations of Energy Northwest issued under the Electric Revenue Bond Resolutions as described in Appendix G-1 of the Series 2003-A & B Official Statement “SUMMARY OF CERTAIN PROVISIONS OF ELECTRIC REVENUE BOND RESOLUTIONS AND SUPPLEMENTAL ELECTRIC REVENUE BOND RESOLUTIONS – Protection of Security; Additional Parity Indebtedness.”

“*Project Debt*” means, without duplication, with respect to either Project 1 or Project 3, as the case may be (a) the Prior Lien Bonds, (b) the Subordinate Lien Bonds, (c) Parity Subordinate Lien Obligations, and (d) all other debt relating to the Project.

“*Project Documents*” means, collectively, as each relates to Project 3, the Net Billing Agreements, the Project Agreement, the Ownership Agreement, the Assignment Agreement, the Ownership Share Disposition Agreement as defined in the Reimbursement Agreement relating to the Series 2003-E Bonds, the 1989 Letter Agreement and those certain Agreements executed as of their respective dates of execution, by and between Bonneville and the Project 3 Participants listed on Schedule A thereto, relating to voluntary cash payments by Bonneville directly to Energy Northwest.

“*Special BPA Event*” means the occurrence of any of the following events: (i) Bonneville’s obligation to make payments with respect to (A) Federal Appropriations Obligation shall, for any reason, become payable (x) by Net Billed Credits or (y) prior to Bonneville’s obligation to provide cash payments under the Project Documents or (B) Treasury Payments shall, for any reason, become payable prior to or on a parity with Bonneville’s obligations to provide cash payments under the Project Documents or (ii) any change in the organization, structure, powers or authority of Bonneville occurs which terminates, suspends, or limits Bonneville’s authority to (A) borrow from the United States Treasury or (B) defer Treasury Payments in order to pay costs other than such payments to the United States Treasury, but in the case of the events described in clause (ii) (A), only if such suspension or limitation materially adversely affects Bonneville’s ability to make payments other than payments to the United States Treasury.

“*Subordinate Lien Bonds*” means all bond issued pursuant to the Electric Revenue Bond Resolutions and all Parity Reimbursement Obligations as defined therein.

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THE SERIES 2003-D-3-1 STANDBY BOND PURCHASE AGREEMENT

General

During the term of the Standby Bond Purchase Agreement relating to the Series 2003-D-3-1 Bonds (the “Series 2003-D-3-1 Standby Bond Purchase Agreement”), the Series 2003-D-3-1 Standby Bond Purchase Agreement will provide liquidity for the purchase of Series 2003-D-3-1 Bonds which are delivered to the Trustee but not remarketed by the Remarketing Agent. In addition, the Series 2003-D-3-1 Standby Bond Purchase Agreement will provide liquidity for the mandatory purchase of Tendered Bonds (i) upon certain changes in Interest Rate Periods, (ii) upon the expiration (without extension) of the Series 2003-D-3-1 Standby Bond Purchase Agreement, (iii) except as otherwise provided in the Resolution, upon the replacement of the Series 2003-D-3-1 Standby Bond Purchase Agreement with an Alternate Liquidity Facility and (iv) at the direction of Dexia following the occurrence of certain Events of Termination or Events of Default under the Series 2003-D-3-1 Standby Bond Purchase Agreement. The Series 2003-D-3-1 Standby Bond Purchase Agreement will expire on April 10, 2008, prior to the final maturity of the Series 2003-D-3-1 Bonds, unless extended or terminated as described herein. Energy Northwest has the right and may elect to terminate the Series 2003-D-3-1 Standby Bond Purchase Agreement in its discretion. Unless otherwise noted, all defined terms in this summary of the Series 2003-D-3-1 Standby Bond Purchase Agreement shall have the meaning ascribed to such terms in the Series 2003-D-3-1 Standby Bond Purchase Agreement.

UNDER CERTAIN CIRCUMSTANCES THE OBLIGATION OF DEXIA TO PURCHASE SERIES 2003-D-3-1 BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY TENDER MAY BE TERMINATED OR SUSPENDED WITHOUT A PURCHASE BY DEXIA. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE SERIES 2003-D-3-1 BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE SERIES 2003-D-3-1 STANDBY BOND PURCHASE AGREEMENT DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2003-D-3-1 BONDS. THE SERIES 2003-D-3-1 STANDBY BOND PURCHASE AGREEMENT PROVIDES FOR THE PURCHASE OF TENDERED BONDS ONLY.

Purchase of Tendered Bonds by Dexia

Dexia has agreed to purchase during the Purchase Period, Eligible Bonds which have been tendered for optional purchase or which are tendered for mandatory purchase and which are not remarketed as provided in the Resolution. The Purchase Period begins on the date the Series 2003-D-3-1 Standby Bond Purchase Agreement shall become effective and ends on the earliest of (a) April 10, 2008; (b) the date on which Energy Northwest delivers an Alternate Liquidity Facility to the Trustee in accordance with the terms of the Resolution, provided that the 2003-D-3-1 Standby Bond Purchase Agreement will not terminate until Dexia has purchased any Series 2003-D-3-1 Bonds required to be purchased pursuant to any mandatory tender resulting from the provision of any Alternate Liquidity Facility; (c) the date on which no Series 2003-D-3-1 Bonds are outstanding; (d) the date on which the Series 2003-D-3-1 Bonds are converted to a Non-Covered Interest Rate; (e) the date specified in a written notice delivered by Energy Northwest to Dexia and the Remarketing Agent that Energy Northwest has elected to terminate the Series 2003-D-3-1 Standby Bond Purchase Agreement pursuant to the terms of the Series 2003-D-3-1 Standby Bond Purchase Agreement; (f) the occurrence of an Event of Termination (as further described below); or (g) the date on which Dexia’s commitment has been terminated in its entirety and Dexia is no longer obligated to purchase Series 2003-D-3-1 Bonds. The price to be paid by Dexia for such Series 2003-D-3-1 Bonds will be equal to the aggregate principal amount on such Series 2003-D-3-1 Bonds without premium, plus interest accrued thereon on the Purchase Date, unless, in the case of interest, the Purchase Date is an Interest Payment Date. As described below, under certain circumstances the obligation of Dexia to purchase Tendered Bonds will be automatically suspended or terminated, without prior notice or demand, and the Trustee will be unable to require the purchase of Series 2003-D-3-1 Bonds under the Series 2003-D-3-1 Standby Bond Purchase Agreement.

Events of Termination and Events of Default

The remedies upon the occurrence of an Event of Termination or an Event of Default under the Series 2003-D-3-1 Standby Bond Purchase Agreement differ significantly and depend upon the nature of the particular Event of Termination or Event of Default. See “Remedies Upon an Event of Termination or and Event of Default” below.

Each of the following is an “Event of Termination” under the Series 2003-D-3-1 Standby Bond Purchase Agreement:

(a) Any principal or interest due on the Series 2003-D-3-1 Bonds is not paid when due and such principal or interest is not paid by FSA when, as, and in the amounts required to be paid pursuant to the terms of the Bond Insurance Policy; or

(b) FSA shall in writing to the Trustee claim that the Bond Insurance Policy with respect to the payment of principal of or interest on the Series 2003-D-3-1 Bonds is not valid and binding on FSA, and repudiate the obligations of FSA under the Bond Insurance Policy with respect to payment of principal of or interest on the Series 2003-D-3-1 Bonds, or FSA shall initiate any legal proceedings to seek an adjudication that the Bond Insurance Policy, with respect to the payment of principal of, interest on, or the special redemption of the Series 2003-D-3-1 Bonds, is not valid and binding on FSA or any court or Governmental Authority with jurisdiction to rule on the validity of the Bond Insurance Policy shall announce, find or rule that the Bond Insurance Policy is not valid and binding on FSA; or

(c) The occurrence of an FSA Event of Insolvency which means the occurrence and continuance of one or more of the following events: (i) the issuance, under Article 74 of the Insurance Law of New York or any successor provision thereof (or any other law to which FSA is at the time subject), of an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution of FSA that is not dismissed within ninety (90) days; (ii) the commencement by FSA of a voluntary case or other proceeding seeking an order for relief, liquidation, supervision, rehabilitation, conservation, reorganization or dissolution with respect to itself or its debts under the laws of the state of incorporation or formation of FSA or any bankruptcy, insolvency or other similar law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, conservator, custodian or other similar official for itself or any substantial part of its property; (iii) the consent of FSA to any relief referred to in the preceding clause (ii) in an involuntary case or other proceeding commenced against it; (iv) the making by FSA of an assignment for the benefit of creditors; (v) the failure of FSA to generally pay its debts or claims as they become due; or (vi) the initiation by FSA of any actions to authorize any of the foregoing; or

(d) The withdrawal by S&P, Moody’s and Fitch of the financial strength or claims paying ability rating of FSA or the reduction of such rating below BBB- in the case of S&P, Baa3 in the case of Moody’s, and BBB- in the case of Fitch; or

(e) Any default by FSA in making payment when, as, and in the amounts required to be made pursuant to the express terms and provisions of any other bond insurance policy issued by FSA insuring publicly-rated bonds and such failure shall continue for thirty (30) days unless the obligation of FSA to pay is being contested by FSA in good faith by appropriate proceedings; or

(f) FSA shall fail to maintain a financial strength or claims paying ability rating by Moody’s of Aa3 (or its equivalent) or higher or by S&P of AA- (or its equivalent) or higher or by Fitch of AA- (or its equivalent) or higher for a period of thirty (30) consecutive days.

Each of the following is an “Event of Default” under the Series 2003-D-3-1 Standby Bond Purchase Agreement:

(a) Any material representation or warranty made by Energy Northwest under or in connection with the Series 2003-D-3-1 Standby Bond Purchase Agreement shall prove to be untrue in any material respect on the date as of which it was made; or

(b) Non-payment of any commitment fees and certain other amounts payable under the Series 2003-D-3-1 Standby Bond Purchase Agreement (together with interest thereon at the Default Rate) within ten (10) days after the Trustee, FSA and Energy Northwest have received written notice from Dexia that the same were not paid when due; or

(c) Non-payment of any other fees or amounts payable under the Series 2003-D-3-1 Standby Bond Purchase Agreement (together with interest thereon at the Default Rate) within twenty (20) days after the Trustee, FSA and Energy Northwest have received written notice thereof from Dexia that the same were not paid when due; or

(d) The breach by Energy Northwest of certain covenants under the Series 2003-D-3-1 Standby Bond Purchase Agreement; or

(e) The breach by Energy Northwest of any terms or provisions of the Series 2003-D-3-1 Standby Bond Purchase Agreement for which no cure period is otherwise specifically provided with respect thereto which is not remedied within thirty (30) days after FSA and Energy Northwest have received written notice thereof from Dexia; or

(f) (i) Energy Northwest shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its Debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or Energy Northwest shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Energy Northwest any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in an order for such relief or in the appointment of a receiver or similar official or (B) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against Energy Northwest any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) Energy Northwest shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) Energy Northwest shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts; or

(g) Any material provision of the Series 2003-D-3-1 Standby Bond Purchase Agreement or any Related Document (other than the Bond Insurance Policy) shall at any time for any reason cease to be valid and binding on Energy Northwest or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by Energy Northwest or by any Governmental Authority having jurisdiction, or Energy Northwest shall deny that it has any further liability or obligation under any such document, or such document is cancelled or terminated without Dexia's prior written consent; or

(h) The occurrence of any "event of default" as defined in the Resolution (which is not waived pursuant to the terms thereof) which is not otherwise described in the Series 2003-D-3-1 Standby Bond Purchase Agreement, other than the failure of Dexia to provide funds for the purchase of Tendered Bonds when required by the terms and conditions of the Series 2003-D-3-1 Standby Bond Purchase Agreement.

(i) Energy Northwest shall be in default in the payment of any principal of or interest on any Debt related to Energy Northwest Project No. 3 and in excess of \$10,000,000 or on any obligation related to Energy Northwest Project No. 3 guaranteed by Energy Northwest or in respect of which it is otherwise

contingently liable in excess of \$10,000,000 beyond any period of grace stated with respect thereto in any such obligation or in any agreement under which any such obligation is created, or Energy Northwest shall default in the performance of an agreement under which any such obligation is created if the effect of such default is to cause such obligation to become, or to permit any holder or beneficiary thereof, or a trustee on behalf thereof, with notice if required, to declare such obligation to be due prior to its normal maturity, or a moratorium shall have been declared or announced (whether or not in writing) by Energy Northwest with respect to any Debt, and any of the foregoing could reasonably be expected to have a material adverse effect; provided, however, that Energy Northwest shall not be deemed in default of any payment or performance for any period during which Energy Northwest is in good faith contesting its liability for, or the amount of, any such payment or performance.

Remedies Upon an Event of Termination or an Event of Default

If any Event of Termination or Event of Default occurs and is continuing, Dexia has the following remedies:

In the case of an Event of Termination specified in paragraphs (a), (c), (d), or (e) above, the Available Commitment, the Purchase Period and the obligation of Dexia to purchase Series 2003-D-3-1 Bonds shall immediately terminate without notice or demand (a "Termination Event"), and thereafter Dexia shall be under no obligation to purchase Series 2003-D-3-1 Bonds. Promptly upon Dexia's obtaining knowledge of any such Event of Termination, Dexia shall give written notice of the same to the Trustee, Energy Northwest, the Remarketing Agent and FSA; provided, that Dexia shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no manner affect the immediate termination of Dexia's Available Commitment and of its obligation to purchase Series 2003-D-3-1 Bonds pursuant to the Series 2003-D-3-1 Standby Bond Purchase Agreement.

In the case of an Event of Termination specified in paragraph (f) above, or an Event of Default specified in paragraphs (b), (c), (d) (as it relates to amending the Series 2003-D-3-1 Standby Bond Purchase Agreement), (f), (g), or (i) above, Dexia may terminate the Available Commitment and Purchase Period by giving written notice to the Trustee, Energy Northwest, the Remarketing Agent and FSA, specifying the date on which the Available Commitment and Purchase Period shall terminate, which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee (the "Purchase Termination Date"), and on and after the Purchase Termination Date, Dexia shall be under no further obligation to purchase Series 2003-D-3-1 Bonds under the Series 2003-D-3-1 Standby Bond Purchase Agreement.

In the case of an Event of Termination specified in paragraph (b) above, Dexia's obligation to purchase Series 2003-D-3-1 Bonds shall be immediately suspended without notice or demand and thereafter Dexia shall be under no obligation to purchase Series 2003-D-3-1 Bonds until the Available Commitment is reinstated as described in the Series 2003-D-3-1 Standby Bond Purchase Agreement. Promptly upon Dexia's obtaining knowledge of any such Event of Termination, Dexia shall give written notice of the same to Energy Northwest, the Trustee, the Remarketing Agent and FSA; provided, that Dexia shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of Dexia's obligation to purchase Series 2003-D-3-1 Bonds. If a court with jurisdiction to rule on the validity of the Bond Insurance Policy shall thereafter enter a final, nonappealable judgment that the Bond Insurance Policy is not valid and binding on FSA, then Dexia's obligation to purchase Series 2003-D-3-1 Bonds shall immediately terminate. If a court with jurisdiction to rule on the validity of the Bond Insurance Policy shall find or rule that the Bond Insurance Policy is valid and binding on FSA, Dexia's obligation to purchase Series 2003-D-3-1 Bonds shall be automatically reinstated and the terms of the Series 2003-D-3-1 Standby Bond Purchase Agreement will continue in full force and effect (unless otherwise terminated or suspended by its terms). Notwithstanding the foregoing, if, upon the earlier of the Stated Expiration Date or the date which is three (3) years after the effective date of suspension of Dexia's obligation, litigation is still pending and a judgment regarding the validity of the Bond Insurance Policy as is the subject of such Event of Termination has not been obtained, then the Available Commitment and the obligation of Dexia to purchase Series 2003-D-3-1 Bonds shall at such time

immediately terminate, and thereafter Dexia shall be under no obligation to purchase Series 2003-D-3-1 Bonds.

During the pendency of an Event of Termination pursuant to paragraphs (c) (with respect to an order described in clause (i) of paragraph (c)) or (e) above (each a "Potential Event of Termination"), Dexia's obligation to purchase Series 2003-D-3-1 Bonds shall be immediately suspended without notice or demand and thereafter Dexia shall be under no obligation to purchase Series 2003-D-3-1 Bonds until the Available Commitment is reinstated as described hereafter. Promptly upon Dexia obtaining knowledge of any such Potential Event of Termination, Dexia shall give written notice of the same to Energy Northwest, the Trustee, the Remarketing Agent and FSA; provided, however, that Dexia shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of Dexia's obligations under the Series 2003-D-3-1 Standby Bond Purchase Agreement. In the event such Potential Event of Termination is cured prior to becoming a Termination Event, Dexia's obligations shall be automatically reinstated and the terms of the Series 2003-D-3-1 Standby Bond Purchase Agreement will continue in full force and effect (unless it is otherwise terminated or suspended by its terms).

In addition to the rights and remedies set forth in the preceding paragraphs, in the case of any Event of Termination or Event of Default, upon the election of Dexia: (i) all amounts payable under the Series 2003-D-3-1 Standby Bond Purchase Agreement (other than payments of principal and redemption price of and interest on the Series 2003-D-3-1 Bonds or payments of Excess Bond Interest) shall upon notice to Energy Northwest become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by Energy Northwest; and (ii) Dexia shall have all the rights and remedies available to it under the Series 2003-D-3-1 Standby Bond Purchase Agreement, the Related Documents, the Bond Insurance Policy or otherwise pursuant to law or equity; provided, however, that Dexia shall not have the right to terminate its obligation to purchase Series 2003-D-3-1 Bonds or to declare any amount due hereunder due and payable except as expressly provided, or to accelerate the maturity date of any Series 2003-D-3-1 Bonds except as provided in the Resolution. Without limiting the generality of the foregoing, Dexia agrees to purchase Series 2003-D-3-1 Bonds on the terms and conditions of the Series 2003-D-3-1 Standby Bond Purchase Agreement notwithstanding the institution or pendency of any bankruptcy, insolvency or similar proceeding with respect to Energy Northwest. Dexia will not assert as a defense to its obligation to purchase Series 2003-D-3-1 Bonds under the Series 2003-D-3-1 Standby Bond Purchase Agreement (A) the institution or pendency of a bankruptcy, insolvency or similar proceeding with respect to Energy Northwest, or (B) a determination by a court of competent jurisdiction in a bankruptcy, insolvency or similar proceeding with respect to Energy Northwest that the Series 2003-D-3-1 Standby Bond Purchase Agreement is not enforceable against Energy Northwest under applicable bankruptcy, insolvency or similar laws. This paragraph shall not limit the exercise of Dexia's remedies expressly provided for above.

Extension, Reduction, Adjustment or Termination of the Series 2003-D-3-1 Standby Bond Purchase Agreement

The Series 2003-D-3-1 Standby Bond Purchase Agreement will expire on April 10, 2008 unless earlier terminated or, with the consent of Dexia in its sole and absolute discretion, extended for an additional period or periods, in each case in accordance with the provisions of the Series 2003-D-3-1 Standby Bond Purchase Agreement.

Upon (i) any redemption, defeasance or other payment of all or any portion of the principal amount of the Series 2003-D-3-1 Bonds or (ii) any purchase by Dexia of Series 2003-D-3-1 Bonds tendered or deemed tendered in accordance with the terms of the Resolution, Dexia's purchase commitment under the Series 2003-D-3-1 Standby Bond Purchase Agreement with respect to principal of Series 2003-D-3-1 Bonds shall automatically be reduced by the principal amount of the Series 2003-D-3-1 Bonds so redeemed, defeased or otherwise paid or purchased, as the case may be. Dexia's commitment with respect to interest shall be equal to thirty-five (35) days' interest on the principal amount of Series 2003-D-3-1 Bonds (assuming an interest rate of twelve percent (12%) per annum). The commitment with respect to interest will be adjusted downward by an amount in proportion to the reduction of the commitment as to principal because of the redemption, defeasance or other payment of Series 2003-D-3-1 Bonds or

the purchase by Dexia of Series 2003-D-3-1 Bonds tendered or deemed tendered in accordance with the terms of the Resolution.

Limitations of the Series 2003-D-3-1 Standby Bond Purchase Agreement

The ability to obtain funds under the Series 2003-D-3-1 Standby Bond Purchase Agreement in accordance with its terms may be limited by federal or state law. Bankruptcy, conservatorship, receivership and similar laws governing financial institutions or any issuer of a standby bond purchase agreement may prevent or restrict payment under the Series 2003-D-3-1 Standby Bond Purchase Agreement. To the extent the short-term rating on the Series 2003-D-3-1 Bonds depends on the rating of Dexia, the short-term ratings on the Series 2003-D-3-1 Bonds could be downgraded or withdrawn if Dexia were to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or were to refuse to perform under the Series 2003-D-3-1 Standby Bond Purchase Agreement.

The obligation of Dexia to purchase unremarketed Series 2003-D-3-1 Bonds pursuant to the Series 2003-D-3-1 Standby Bond Purchase Agreement is subject to the conditions and limitations set forth therein, and is also subject to all rights and defenses available to contracting parties generally. The Series 2003-D-3-1 Standby Bond Purchase Agreement is not a guaranty to pay the purchase price of Series 2003-D-3-1 Bonds tendered for purchase. The Series 2003-D-3-1 Standby Bond Purchase Agreement is a general contract, subject to certain conditions and limitations, and is not a letter of credit. Purchasers of the Series 2003-D-3-1 Bonds should consult their legal counsel for an explanation of the differences between a general contract and a letter of credit or guaranty.

THE SERIES 2003-D-3-2 STANDBY BOND PURCHASE AGREEMENT**General**

During the term of the Standby Bond Purchase Agreement relating to the Series 2003-D-3-2 Bonds (the "Series 2003-D-3-2 Standby Bond Purchase Agreement"), the Series 2003-D-3-2 Standby Bond Purchase Agreement will provide liquidity for the purchase of Series 2003-D-3-2 Bonds which are delivered to the Trustee but not remarketed by the Remarketing Agent. In addition, the Series 2003-D-3-2 Standby Bond Purchase Agreement will provide liquidity for the mandatory purchase of Tendered Bonds (i) upon certain changes in interest rate periods, (ii) upon the expiration (without extension) of the Series 2003-D-3-2 Standby Bond Purchase Agreement, (iii) except as otherwise provided in the Resolution, upon the replacement of the Series 2003-D-3-2 Standby Bond Purchase Agreement with an Alternate Liquidity Facility and (iv) at the direction of Dexia following the occurrence of certain Events of Default under the Series 2003-D-3-2 Standby Bond Purchase Agreement. The Series 2003-D-3-2 Standby Bond Purchase Agreement will expire on April 10, 2008 prior to the final maturity of the Series 2003-D-3-2 Bonds, unless extended or terminated as described herein. Energy Northwest has the right and may elect to terminate the Series 2003-D-3-2 Standby Bond Purchase Agreement in its discretion. Unless otherwise noted, all defined terms in this summary of the Series 2003-D-3-2 Standby Bond Purchase Agreement shall have the meaning ascribed to such terms in the Series 2003-D-3-2 Standby Bond Purchase Agreement.

UNDER CERTAIN CIRCUMSTANCES THE OBLIGATION OF DEXIA TO PURCHASE SERIES 2003-D-3-2 BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY TENDER MAY BE TERMINATED OR SUSPENDED WITHOUT A PURCHASE BY DEXIA. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE SERIES 2003-D-3-2 BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE SERIES 2003-D-3-2 STANDBY BOND PURCHASE AGREEMENT DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2003-D-3-2 BONDS. THE SERIES 2003-D-3-2 STANDBY BOND PURCHASE AGREEMENT PROVIDES FOR THE PURCHASE OF TENDERED BONDS ONLY.

Purchase of Tendered Bonds by Dexia

Dexia has agreed to purchase during the Purchase Period, Eligible Bonds which have been tendered for optional purchase or which are tendered for mandatory purchase and which are not remarketed as provided in the Resolution. The Purchase Period begins on the date the Series 2003-D-3-2 Standby Bond Purchase Agreement shall become effective and ends on the earliest of (a) April 10, 2008; (b) the date on which Energy Northwest delivers an Alternate Liquidity Facility to the Trustee in accordance with the terms of the Resolution, provided that the 2003-D-3-2 Standby Bond Purchase Agreement will not terminate until Dexia has purchased any Series 2003-D-3-2 Bonds required to be purchased pursuant to any mandatory tender resulting from the provision of any Alternate Liquidity Facility; (c) the date on which no Series 2003-D-3-2 Bonds are outstanding; (d) the date on which the Series 2003-D-3-2 Bonds are converted to a Non-Covered Interest Rate; (e) the date specified in a written notice delivered by Energy Northwest to Dexia and the Remarketing Agent that Energy Northwest has elected to terminate the Series 2003-D-3-2 Standby Bond Purchase Agreement pursuant to the terms of the Series 2003-D-3-2 Standby Bond Purchase Agreement; (f) the date on which Dexia's commitment is immediately terminated or suspended as a result of the occurrence of any one of certain Events of Default (as further described below); or (g) the date on which Dexia's commitment has been terminated in its entirety and Dexia is no longer obligated to purchase Series 2003-D-3-2 Bonds. The price to be paid by Dexia for such Series 2003-D-3-2 Bonds will be equal to the aggregate principal amount on such Series 2003-D-3-2 Bonds without premium, plus interest accrued thereon on the Purchase Date, unless, in the case of interest, the Purchase Date is an Interest Payment Date. As described below, under certain circumstances the obligation of Dexia to purchase Tendered Bonds will be automatically suspended or terminated, without prior notice or demand, and the Trustee will be unable to require the purchase of Series 2003-D-3-2 Bonds under the Series 2003-D-3-2 Standby Bond Purchase Agreement.

Events of Default

The remedies upon the occurrence of an Event of Default under the Series 2003-D-3-2 Standby Bond Purchase Agreement differ significantly and depend upon the nature of the particular Event of Default. See “Remedies Upon an Event of Default” below.

Each of the following is an “Event of Default” under the Series 2003-D-3-2 Standby Bond Purchase Agreement:

(a) Any principal of, or interest on, any Series 2003-D-3-2 Bond shall not be paid when due and shall remain unpaid for three (3) Business Days after written notice of such failure has been given to MBIA, Energy Northwest and the Trustee; or

(b) Energy Northwest shall fail to pay (i) any commitment fee or (ii) other amounts owing hereunder and such amount shall remain unpaid for ten (10) Business Days after written notice of such failure has been given to the MBIA, Energy Northwest and the Trustee; or

(c) Any material representation or warranty made by or on behalf of Energy Northwest in this Agreement or in any Related Document or in any certificate or statement delivered hereunder or thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made and shall not have been cured within thirty (30) days of the date such representation or warranty is made; provided that if such incorrect representation or warranty is not capable of being cured, as determined in the good faith judgment of Dexia, such incorrect or untrue representation or warranty shall constitute an immediate event of default; or

(d) Energy Northwest shall default in the due performance or observance of any of certain covenants under the Series 2003-D-3-2 Standby Bond Purchase Agreement; or

(e) Energy Northwest shall default in the due performance or observance of any other term, covenant or agreement contained in the Series 2003-D-3-2 Standby Bond Purchase Agreement (other than those referred to in paragraphs (a), (b), (c), and (d) above) and such default shall remain unremedied for a period of thirty (30) days after Dexia shall have given written notice thereof to Energy Northwest; or

(f) Energy Northwest shall be in default in the payment of any principal of or interest on any Debt related to Energy Northwest Project No. 3 and in excess of \$10,000,000 or on any obligation related to Energy Northwest Project No. 3 guaranteed by Energy Northwest or in respect of which it is otherwise contingently liable in excess of \$10,000,000 beyond any period of grace stated with respect thereto in any such obligation or in any agreement under which any such obligation is created, or Energy Northwest shall default in the performance of an agreement under which any such obligation is created if the effect of such default is to cause such obligation to become, or to permit any holder or beneficiary thereof, or a trustee on behalf thereof, with notice if required, to declare such obligation to be due prior to its normal maturity, or a moratorium shall have been declared or announced (whether or not in writing) by Energy Northwest with respect to any Debt, and any of the foregoing could reasonably be expected to have a material adverse effect; provided, however, that Energy Northwest shall not be deemed in default of any payment or performance for any period during which Energy Northwest is in good faith contesting its liability for, or the amount of, any such payment or performance; or

(g) (i) Energy Northwest shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or Energy Northwest shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Energy Northwest any case, proceeding or other action of a nature

referred to in clause (i) above which (A) results in an order for such relief or in the appointment of a receiver or similar official or (B) remains undismissed, undischarged or unbonded for a period of ninety (90) days; or (iii) there shall be commenced against Energy Northwest any case, proceeding or other action seeking issuance of a warrant of attachment, execution, restraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within ninety (90) days from the entry thereof; or (iv) Energy Northwest shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) Energy Northwest shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts; or

(h) Any “event of default” under the Resolution, which is not cured within any applicable cure period, shall occur; or

(i) Any material provision of this Agreement or any Related Document (other than the Bond Insurance Policy) shall at any time for any reason cease to be valid and binding on Energy Northwest or any other party thereto or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by Energy Northwest or such other party thereto or by any Governmental Authority having jurisdiction, or Energy Northwest or such other party shall deny that it has any or further liability, or obligation under any such document; or

(j) The occurrence of an MBIA Event of Insolvency which means the occurrence and continuance of one of the following events: (i) the issuance, under the laws of the State of New York (or other jurisdiction or domicile of MBIA), of an order of rehabilitation, liquidation, supervision or dissolution of MBIA; (ii) the commencement by MBIA of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency, insurance or other similar law now or hereafter in effect, including without limitation the appointment of a trustee, receiver, liquidator, custodian, supervisor or other similar official for itself or any substantial part of its property; (iii) the consent of MBIA to any relief referred to in the preceding clause (ii) in an involuntary case or other proceeding commenced against it or the commencement against MBIA of an involuntary case or other proceeding seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency, insurance or other similar law now or hereafter in effect, including without limitation the appointment of a trustee, receiver, liquidator, custodian, supervisor or other similar official for itself or any substantial part of its property, if such case or proceeding shall continue undismissed or unstayed and in effect for a period of 90 days or an order for relief shall be entered or a receiver, supervisor or similar official shall be appointed in any involuntary case against MBIA under any bankruptcy, insolvency, insurance or other similar law now or hereafter in effect; (iv) the making by MBIA of an assignment for the benefit of creditors; (v) the failure of MBIA to generally pay its debts as they become due; or (vi) the initiation by MBIA of any actions to authorize any of the foregoing; or

(k) The withdrawal by Moody’s, S&P and Fitch of the financial strength rating of MBIA or the reduction of such rating, in the case of Moody’s, below Baa3, in the case of S&P, below BBB-, and in the case of Fitch, below BBB-; or

(l) MBIA shall fail, wholly or partially, to make a payment of principal or interest as required under the Bond Insurance Policy; or

(m) The President or an Executive Vice President of MBIA shall in writing claim that the Bond Insurance Policy, with respect to the payment of principal of or interest on the Series 2003-D-3-2 Bonds or any of the Series 2003-D-3-2 Purchased Bonds, is not valid and binding on MBIA, or repudiate the obligations of MBIA under the Bond Insurance Policy with respect to payment of principal of and interest on the Series 2003-D-3-2 Bonds or any of the Series 2003-D-3-2 Purchased Bonds or MBIA shall initiate any legal proceedings to seek an adjudication that the Bond Insurance Policy, with respect to the payment of principal of or interest on the Series 2003-D-3-2 Bonds or any of the Series 2003-D-3-2 Purchased Bonds, is not valid and binding on MBIA; or

(n) Any Governmental Authority with jurisdiction to rule on the validity of the Bond Insurance Policy shall announce, find or rule that such Bond Insurance Policy is not valid and binding on MBIA; or

(o) MBIA is substituted as insurer of the Series 2003-D-3-2 Bonds, or the Bond Insurance Policy is surrendered, canceled, or terminated, or amended or modified in any material respect, without Dexia's prior written consent; or

(p) MBIA shall fail to maintain a financial strength or claims paying ability rating by Moody's of Aa3 (or its equivalent) or higher or by S&P of AA— (or its equivalent) or higher for a period of ninety (90) consecutive days.

Remedies Upon an Event of Default

If any Event of Default occurs and is continuing, Dexia has the following remedies:

In the case of an Event of Default as specified in paragraphs (m) or (n) in the previous section, Dexia's obligations to purchase Series 2003-D-3-2 Bonds under this Agreement shall immediately be suspended without notice or demand to any Person and thereafter Dexia shall be under no obligation to purchase Series 2003-D-3-2 Bonds until the Available Commitment is reinstated as described below. Promptly upon such Event of Default, Dexia shall notify Energy Northwest, the Trustee and the Remarketing Agent of such suspension in writing; provided that Dexia shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of Dexia's Available Commitment and of its obligation to purchase Series 2003-D-3-2 Bonds pursuant to this Agreement. If a court or Governmental Authority with jurisdiction to rule on the validity of the Bond Insurance Policy shall thereafter enter a final, nonappealable judgment that such Bond Insurance Policy is not valid and binding on MBIA, then the Available Commitment and the obligation of Dexia to purchase the Series 2003-D-3-2 Bonds shall immediately terminate without notice or demand and thereafter Dexia shall be under no obligation to purchase Series 2003-D-3-2 Bonds. If a court with jurisdiction to rule on the validity of the Bond Insurance Policy shall find or rule under a final, nonappealable judgment that such Bond Insurance Policy, as is the subject of such Event of Default, is valid and binding on MBIA, then the Available Commitment and the obligations of Dexia under this Agreement shall thereupon be reinstated (unless the Purchase Period shall otherwise have expired or the Available Commitment shall otherwise have been terminated or suspended as provided in this Agreement). Notwithstanding the foregoing, if three years after the effective date of suspension of Dexia's obligations pursuant to this clause (a) litigation is still pending and a final, nonappealable judgment regarding the validity of such Bond Insurance Policy has not been obtained, then the Available Commitment and the obligation of Dexia to purchase Series 2003-D-3-2 Bonds shall, unless previously terminated pursuant to any other provision of this Agreement, at such time terminate without notice or demand and thereafter, Dexia shall be under no obligation to purchase Series 2003-D-3-2 Bonds.

In the case of an Event of Default as specified in paragraphs (j), (k), (l) or (o) in the previous section, the Available Commitment and the obligation of Dexia to purchase Series 2003-D-3-2 Bonds shall immediately terminate without notice or demand to any Person, and thereafter Dexia shall be under no obligation to purchase Series 2003-D-3-2 Bonds. Promptly upon such Event of Default, Dexia shall give written notice of the same to Energy Northwest, the Trustee, and the Remarketing Agent; provided, that Dexia shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of Dexia's Available Commitment and of its obligation to purchase Series 2003-D-3-2 Bonds pursuant to this Agreement. Energy Northwest shall cause the Trustee to notify all Series 2003-D-3-2 Bondowners of the termination of the Available Commitment and the obligation of Dexia to purchase Series 2003-D-3-2 Bonds.

In the case of an Event of Default as specified in clause (i) of paragraph (b) and paragraph (p) in the previous section, Dexia may give written notice of such Event of Default and termination of the Agreement (a "*Notice of Termination*") to the Trustee, Energy Northwest, MBIA, and the Remarketing Agent requesting a Default Tender. The obligation of Dexia to purchase Series 2003-D-3-2 Bonds shall

terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day, but, in either case, a “*Notice of Termination Date*”) after such Notice of Termination is received by the Trustee and, on such Notice of Termination Date, the Available Commitment shall terminate and Dexia shall be under no obligation hereunder to purchase Series 2003-D-3-2 Bonds.

Upon the occurrence of any Event of Default specified in the Series 2003-D-3-2 Standby Bond Purchase Agreement, Dexia shall have all remedies provided at law or equity, including, without limitation, specific performance; provided, however, that Dexia shall not have the right to terminate its obligation to purchase Series 2003-D-3-2 Bonds, to declare any amount due hereunder due and payable, or to accelerate the maturity date of any Series 2003-D-3-2 Bonds except as provided in the Resolutions. This paragraph shall not limit the exercise of Dexia’s remedies under any other provision of this Section.

No remedy conferred upon or reserved to Dexia pursuant to this Section is intended to be exclusive of any other remedy, other than acceleration of the Series 2003-D-3-2 Bonds except as provided in the Resolutions. Each and every remedy shall be cumulative and shall be in addition to any other remedy given to Dexia hereunder or now or hereafter existing at law or in equity or by statute.

Extension, Reduction, Adjustment or Termination of the Series 2003-D-3-2 Standby Bond Purchase Agreement

The Series 2003-D-3-2 Standby Bond Purchase Agreement will expire on April 10, 2008 unless earlier terminated or, with the consent of Dexia in its sole and absolute discretion, extended for an additional period or periods, in each case in accordance with the provisions of the Series 2003-D-3-2 Standby Bond Purchase Agreement.

Upon (i) any redemption, defeasance or other payment of all or any portion of the principal amount of the Series 2003-D-3-2 Bonds or (ii) any purchase by Dexia of Series 2003-D-3-2 Bonds tendered or deemed tendered in accordance with the terms of the Resolution, Dexia’s purchase commitment under the Series 2003-D-3-2 Standby Bond Purchase Agreement with respect to principal of Series 2003-D-3-2 Bonds shall automatically be reduced by the principal amount of the Series 2003-D-3-2 Bonds so redeemed, defeased or otherwise paid or purchased, as the case may be. Dexia’s commitment with respect to interest shall be equal to thirty-five (35) days’ interest on the principal amount of Series 2003-D-3-2 Bonds (assuming an interest rate of twelve percent (12%) per annum). The commitment with respect to interest will be adjusted downward by an amount in proportion to the reduction of the commitment as to principal because of the redemption, defeasance or other payment of Series 2003-D-3-2 Bonds or the purchase by Dexia of Series 2003-D-3-2 Bonds tendered or deemed tendered in accordance with the terms of the Resolution.

Limitations of the Series 2003-D-3-2 Standby Bond Purchase Agreement

The ability to obtain funds under the Series 2003-D-3-2 Standby Bond Purchase Agreement in accordance with its terms may be limited by federal or state law. Bankruptcy, conservatorship, receivership and similar laws governing financial institutions or any issuer of a standby bond purchase agreement may prevent or restrict payment under the Series 2003-D-3-2 Standby Bond Purchase Agreement. To the extent the short-term rating on the Series 2003-D-3-2 Bonds depends on the rating of Dexia, the short-term ratings on the Series 2003-D-3-2 Bonds could be downgraded or withdrawn if Dexia were to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or were to refuse to perform under the Series 2003-D-3-2 Standby Bond Purchase Agreement.

The obligation of Dexia to purchase unremarketed Series 2003-D-3-2 Bonds pursuant to the Series 2003-D-3-2 Standby Bond Purchase Agreement is subject to the conditions and limitations set forth therein, and is also subject to all rights and defenses available to contracting parties generally. The Series 2003-D-3-2 Standby Bond Purchase Agreement is not a guaranty to pay the purchase price of Series 2003-D-3-2 Bonds tendered for purchase. The Series 2003-D-3-2 Standby Bond Purchase Agreement is a general contract, subject to certain conditions and limitations, and is not a letter of credit. Purchasers of the Series 2003-D-3-2 Bonds should consult their legal counsel for an explanation of the differences between a general contract and a letter of credit or guaranty.

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SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

In order to assist the Underwriters in complying with Rule 15c2-12, Energy Northwest, Bonneville and the Trustee will enter into a written agreement (the “Agreement”) for the benefit of the holders of the Series 2003-C, D & E Bonds to provide continuing disclosure.

In addition to the definitions set forth in the Net Billed Resolutions which apply to any capitalized term used in the Agreement, the following capitalized terms shall have the following meanings:

“BPA Annual Information” shall mean financial information and operating data of the type included in the final Official Statement for the Series 2003-C, D & E Bonds, including the information incorporated by specific reference therein from the final Official Statement for the Series 2003-A Bonds and the Series 2003-B Bonds (the “2003-A & B Official Statement”), in the following tables in the 2003-A & B Official Statement under the heading “THE BONNEVILLE POWER ADMINISTRATION”: “Federal System Statement of Revenues and Expenses,” “Statement of Non-Federal Project Debt Service Coverage and United States Treasury Payments” (under the “Actual” columns only) and “Statement of Net Billing Obligations and Expenditures” (under the “Actual” columns only) (provided that such financial information and operating data shall include such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data and in judging the financial condition of Bonneville).

“Energy Northwest Annual Information” shall mean financial information and operating data of the type included in the 2003-A & B Official Statement incorporated by reference in the final Official Statement for the Series 2003-C, D & E Bonds in the following tables under the heading “ENERGY NORTHWEST”: “Energy Northwest Revenue Bonds Outstanding as of March 1, 2003” under the subheading “— Energy Northwest Indebtedness” and “Statement of Operations” under the subheading “— The Columbia Generating Station-Annual Costs” (provided that such financial information and operating data shall include such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data and in judging the financial condition of Energy Northwest).

“Energy Northwest Fiscal Year” shall mean the fiscal year ending each June 30 or, if such fiscal year end is changed, on such new date; provided that if the Energy Northwest Fiscal Year End is changed, Energy Northwest shall notify, in a timely manner, the Repository or the MSRB and the State Depository.

“FCRPS” shall mean the Federal Columbia River Power System.

“FCRPS Fiscal Year” shall mean the fiscal year ending each September 30 or, if such fiscal year end is changed, on such new date; provided that if the FCRPS Fiscal Year is changed, Bonneville shall notify, in a timely manner, the Repository or the MSRB and the State Depository.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Repository” shall mean each nationally recognized municipal securities information repository within the meaning of Rule 15c2-12. The name and address of each Repository shall be set forth in a list to be on file at the offices of Energy Northwest and Bonneville.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement, including any official interpretations thereof promulgated on or prior to the effective date of this Agreement.

“State Depository” shall mean any public or private repository or entity designated by the State of Washington as the state repository for the purpose of Rule 15c2-12 and recognized as such by the Securities and Exchange Commission.

“Trustee” shall mean BNY Western Trust Company, as trustee for the Series 2003-C, D & E Bonds.

“Underwriters” shall mean the underwriter or underwriters that have contracted to purchase the Series 2003-C, D & E Bonds from Energy Northwest upon initial issuance.

Bonneville will undertake for the benefit of the holders of the Series 2003-C, D & E Bonds to provide each Repository, on an annual basis no later than 180 days after the end of each FCRPS Fiscal Year, commencing the fiscal year ending September 30, 2003, the BPA Annual Information. Bonneville will undertake to provide each Repository audited financial statements of the FCRPS no later than 180 days after the end of each FCRPS Fiscal Year.

Energy Northwest will undertake for the benefit of the holders of the Series 2003-C, D & E Bonds to provide each Repository, on an annual basis no later than 180 days after the end of each Energy Northwest Fiscal Year, commencing the fiscal year ending June 30, 2003, Energy Northwest Annual Information. Energy Northwest will undertake to provide each Repository with Energy Northwest’s audited financial statements no later than 180 days after the end of each Energy Northwest Fiscal Year. In addition, Energy Northwest will undertake, for the benefit of the holders of the Series 2003-A Bonds, to provide to each such Repository or to the Municipal Securities Rulemaking Board (“MSRB”), and to State Information Depository, in a timely manner, the notices described below.

The notices described above include notices of any of the following events with respect to the Series 2003-C, D & E Bonds, if material: (1) principal and interest payment delinquencies; (2) nonpayment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2003-C, D & E Bonds; (7) modifications to the rights of holders of the Series 2003-C, D & E Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2003-C, D & E Bonds; and (11) rating changes. In addition, Energy Northwest will undertake, for the benefit of the holders of the Series 2003-C, D & E Bonds, to provide to each Repository or the MSRB and to State Information Depository, in a timely manner, notice of any failure by Bonneville to provide the BPA Annual Information and annual financial statements, of the FCRPS by the date required in Bonneville’s undertaking described above and notice of any failure by Energy Northwest to provide Energy Northwest Annual Information and annual financial statements of Energy Northwest by the date required in Energy Northwest’s undertaking described above.

The sole and exclusive remedy for breach or default by Energy Northwest under the Agreement is an action to compel specific performance of the undertakings of Energy Northwest, and no person, including the holders of the Series 2003-C, D & E Bonds, may recover monetary damages thereunder under any circumstances. Specific performance is not available as a remedy against Bonneville. A Bondholder will have any rights available to him or her under law with respect to remedies against Bonneville. A breach or default under the Agreement shall not constitute an Event of Default under the Net Billed Resolutions or the Supplemental Resolutions relating to the Series 2003-C, D & E Bonds. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided.

The Agreement shall be governed by the laws of the State of Washington with respect to Energy Northwest and by federal law with respect to Bonneville.

The foregoing summary is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where the Agreement calls for information that no longer can be generated or is no longer relevant because the operations to which it is related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Agreement do not anticipate

that it often will be necessary to amend the informational undertakings. The Agreement, however, may be amended or modified under certain circumstances set forth therein. Copies of the Agreement when executed by the parties thereto at the Closing will be on file at the offices of Energy Northwest.

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