

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, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2003-F Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special Tax Counsel, interest on the Series 2003-F 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. See "TAX EXEMPTION" herein.*

**Energy Northwest**  
**\$41,330,000**  
**Columbia Generating Station Electric Revenue Bonds, Series 2003-F**

**Dated: Date of delivery**

**Due: July 1, as shown on the inside cover**

The Series 2003-F Bonds are being issued for the purpose of refunding certain short-term indebtedness heretofore issued by Energy Northwest in connection with the Columbia Generating Station, to pay costs of other capital improvements at the Columbia Generating Station, and to pay costs relating to the issuance of the Series 2003-F Bonds, as more fully described herein. The Series 2003-F Bonds are special revenue obligations of Energy Northwest secured and payable as provided herein on a subordinated basis to the Columbia Prior Lien Bonds described herein.

The Series 2003-F 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-F Bonds. Individual purchases will be made in book-entry form, in denominations of \$5,000 and integral multiples thereof. So long as Cede & Co. is the registered owner of the Series 2003-F 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-F Bonds. See "BOOK-ENTRY ONLY SYSTEM" and Appendix H hereto. Principal of the 2003-F Bonds is payable at the principal office of BNY Western Trust Company, Seattle, Washington, as Trustee for the Series 2003-F Bonds. Interest on the Series 2003-F Bonds is payable semiannually on January 1 and July 1 of each year, commencing July 1, 2003, 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-F 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-F Bonds are subject to redemption prior to maturity as set forth herein.*

Payments when due of the principal of and interest on the Series 2003-F Bonds will be insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation ("MBIA"). See "INTRODUCTION – Bond Insurance."



The Series 2003-F 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-F 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.

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**MATURITY SCHEDULE — See Inside Cover**

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The Series 2003-F 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-F Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about May 29, 2003.

**Citigroup**  
**JPMorgan**

**Prager, Sealy & Co., LLC**

**Goldman, Sachs & Co.**  
**UBS PaineWebber Inc.**

May 14, 2003

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND PRICES**

**The Series 2003-F Bonds**

**\$41,330,000 Columbia Generating Station Electric Revenue Bonds**

<b><u>Year</u></b> <b><u>(July 1)</u></b>	<b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b>
2007	\$2,590,000	5.00%	2.14%	29270CGA7
2008	2,720,000	5.00	2.44	29270CGB5
2009	2,855,000	5.00	2.73	29270CGC3
2010	3,000,000	5.00	3.04	29270CGD1
2011	3,150,000	5.00	3.27	29270CGE9
2012	3,305,000	5.00	3.39	29270CGF6
2013	3,475,000	5.00	3.51	29270CGG4
2014	3,645,000	5.25	3.64*	29270CGH2
2015	3,835,000	5.25	3.75*	29270CGJ8
2016	4,040,000	5.25	3.86*	29270CGK5

**\$8,715,000 5.00% Term Bonds due July 1, 2018 Priced to Yield 4.00%\* CUSIP 29270CGL3**

\* Priced to July 1, 2013 par call date.

**ENERGY NORTHWEST**  
**P.O. Box 968**  
**Richland, Washington 99352**  
**Telephone (509) 372-5000**  
**Facsimile (509) 372-5649**  
**www.energy-northwest.com**

**Executive Board Members**

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Dan G. Gunkel, Vice Chairman  
Sid W. Morrison, Secretary  
Vera Claussen, Assistant Secretary  
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Vice President, Nuclear Generation  
Vice President, Technical Services  
Vice President, Energy/Business Services/  
Public Information Officer  
Vice President, Corporate Services/General  
Counsel/Chief Financial Officer

Joseph V. Parrish  
Rodney L. Webring  
Dale K. Atkinson

John W. Baker

Albert E. Mouncer

*Financial Advisor*  
Public Financial Management, Inc.

*Bond Counsel*  
Willkie Farr & Gallagher

**BONNEVILLE POWER ADMINISTRATION**  
**P.O. Box 3621**  
**Portland, Oregon 97208**  
**Telephone (503) 230-3000**  
**www.bpa.gov**

Administrator and Chief Executive Officer  
Deputy Administrator and Deputy Chief Executive Officer  
Chief Operating Officer (Acting)  
General Counsel  
Chief Financial Officer

Stephen J. Wright  
Steven G. Hickok  
Ruth B. Bennett  
Randy A. Roach  
James H. Curtis

*Special Counsel*  
Orrick, Herrington & Sutcliffe LLP

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-F 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.

Other than with respect to information concerning MBIA Insurance Corporation (“MBIA”) contained under “INTRODUCTION - Bond Insurance” and Appendix E “MBIA Specimen Financial Guaranty Insurance Policy” herein, none of the information in this Official Statement has been supplied or verified by MBIA and MBIA does not make any representation or warranty, express or implied, as to: (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Series 2003-F Bonds.

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 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.”

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-F 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

### Energy Northwest

**\$41,330,000**

### **Columbia Generating Station Electric Revenue Bonds, Series 2003-F**

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 \$41,330,000 Columbia Generating Station Electric Revenue Bonds, Series 2003-F (the "Series 2003-F Bonds"). The Series 2003-F 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 providing funds to refund the outstanding portion of the Columbia Promissory Note (as hereinafter defined) heretofore issued by Energy Northwest for the purpose of financing the costs of planning, construction and acquisition of the Columbia Independent Spent Fuel Storage Installation Facility ("ISFSI"), to pay costs of other capital improvements at the Columbia Generating Station, and to pay costs relating to the issuance of the Series 2003-F Bonds. The Series 2003-F Bonds are secured on a subordinated basis to the Prior Lien Bonds (as hereinafter defined) 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 Series 2003-F Bonds will be secured on a parity with bonds heretofore issued by Energy Northwest pursuant to the Columbia 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 Columbia Electric Revenue Bond Resolution or any Separate Subordinated Resolution (as such terms are hereinafter defined). See "SECURITY FOR THE NET BILLED BONDS" in the 2003-A & B Official Statement (as hereinafter defined).

Capitalized terms used in this Official Statement and not defined herein shall have the meanings given to such terms in the Official Statement of Energy Northwest dated March 20, 2003 prepared in connection with the Series 2003-A Bonds and the Series 2003-B Bonds (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 (as hereinafter defined) for Projects 1 and 3 and the Columbia Generating Station. 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-F Bonds.

### INTRODUCTION

This Introduction is not intended to provide all information material to a prospective purchaser of the Series 2003-F 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 18 members, consisting of 15 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 66.6% and has generated 117,253,914 megawatt-hours (net of station use but excludes credit for “Economic Dispatch”) of electric power through March 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.

Certain information about Bonneville is contained in the 2003-A & B Official Statement and is incorporated herein by reference.

Bonneville's updated quarterly financial report for the six months beginning October 1, 2002 is included as Appendix D to this Official Statement. Such information is in lieu of Bonneville's quarterly financial report for the three months beginning October 1, 2002 included as Appendix A-2 to the 2003-A & B Official Statement.

The following supplements the information found in the 2003-A & B Official Statement under the captions:

“BONNEVILLE POWER ADMINISTRATION — DEVELOPMENTS RELATING TO BONNEVILLE’S POWER MARKETING APPROACH AND BONNEVILLE’S FINANCIAL CONDITION — Fiscal Year 2003 Financial Developments”:

Based on Bonneville's updated quarterly review dated as of May 2003, Bonneville now estimates that if current forecasts of costs, streamflows and discretionary power sales are realized, Bonneville would have net revenues in fiscal year 2003 of about negative \$28 million. This calculation excludes \$356 million in positive net revenue arising from debt management actions under the Debt Optimization Proposal. The fiscal year end net revenue projection also excludes about \$20 million in non-cash, mark-to-market accounting adjustments under the Financial Accounting Standards Board Statement of Accounting Standard No. 133. These forecasted results incorporate a total of about \$85 million in one time improvements to cash flows arising from (i) arrangements with Energy Northwest to apply funds from a settlement with a paying agent of certain original Net Billed Bonds to pay current Net Billed Project costs, and (ii) the use of surety bonds in lieu of reserve funds for certain series of Net Billed Project Bonds. In addition, the May 2003 updated forecast reflects somewhat improved forecasts of Columbia River basin precipitation levels, power marketing conditions and expense levels.

On the basis of its May 2003 quarterly review, Bonneville now expects that it is much less likely to rely on short-term borrowing from the United States Treasury, deferral of early amortization under the Debt Optimization Proposal, or deferrals of Bonneville's United States Treasury repayments, to meet its fiscal year end reserve level goals.

Given the many variables and assumptions upon which such forecasts are based, actual revenues could differ substantially from those indicated in such forecasts.

Several of Bonneville's customer and related groups have filed separate suits in the Ninth Circuit Court challenging Bonneville's decision to initiate proceedings necessary for implementing the SN-CRAC. These parties are seeking to set aside Bonneville's finding that the SN-CRAC has triggered. If successful, the litigation could result in the court remanding back to Bonneville its decision that the conditions permitting Bonneville to adjust its power rates under the SN-CRAC have been met. The petitioners have not sought expedited review by or injunctive relief from the court.

“BONNEVILLE POWER ADMINISTRATION — POWER BUSINESS LINE — Customers and Other Power Contract Parties of Bonneville's Power Business Line — Effect on Bonneville of Developments In California Power Markets”:

In March 2003, FERC issued an order in the California Refund docket increasing the potential refund liability of participants, including Bonneville, to the proceeding. The increase is due to the substitution of producing area natural gas prices in place of the California gas index prices previously used in the calculation. Assuming Bonneville's estimate of its refund exposure is correct, Bonneville's aggregate refund exposure would still be less than the amount owed to Bonneville by the Cal-ISO and Cal-PX.

“BONNEVILLE POWER ADMINISTRATION — POWER BUSINESS LINE — Customers and Other Power Contract Parties of Bonneville’s Power Business Line — Effect on Bonneville of the Enron Bankruptcy”:

On April 25, 2003, Bonneville and Enron entered into an agreement to settle all claims between them relating to all power sales and purchase agreements between Bonneville and Enron. Under the settlement, Bonneville has agreed to cause to be paid to Enron a single lump sum payment of approximately \$99 million, which reflects a discount in Bonneville’s favor in the mark-to-market value of the remaining terms of the power transactions. The settlement agreement further provides that all of the claims and obligations of the parties with respect to the foregoing transactions are extinguished.

The lump sum payment to Enron will be provided by the United States Treasury from the Judgment Fund. The Judgment Fund is a continuing, indefinite appropriation by Congress for the payment of certain claims and settlements involving the United States and certain of its agencies and instrumentalities. Bonneville is obligated to reimburse the United States Treasury for such payments and Bonneville expects that the reimbursement terms with the United States Treasury will provide that Bonneville make full repayment, together with interest, by the end of December 2006. This repayment period coincides roughly with the original final payment term of the related Enron power transactions.

The anticipated schedule of Bonneville’s reimbursement payments to the United States Treasury would be substantially less than the net payments Bonneville would have otherwise made to Enron had the power transactions continued to their original expiration dates. In addition, Bonneville estimates that it has a surplus of firm power through fiscal year 2006. Thus, Bonneville believes that the extinguishment of Enron’s obligation to sell power to Bonneville will not have an adverse effect on Bonneville’s ability to meet its contracted load obligations through fiscal year 2006.

“BONNEVILLE POWER ADMINISTRATION — BONNEVILLE LITIGATION — PacifiCorp v. United States”:

On May 1, 2003, the court granted PacifiCorp’s petition to compel arbitration. Bonneville is in the process of analyzing the court’s opinion to determine whether to appeal.

“BONNEVILLE POWER ADMINISTRATION — BONNEVILLE LITIGATION — City of Burbank, California v. United States”:

The claims filed by the cities under the Contract Disputes Act were denied by Bonneville’s Contracting Officer, and in April 2003, the cities filed an appeal with the Department of Energy Contract Board of Appeals.

“BONNEVILLE POWER ADMINISTRATION — BONNEVILLE LITIGATION — 5(b)/9(c) Policy Challenge”:

In March 2003, the court granted the settlement agreement and motion to dismiss filed jointly by Bonneville and the petitioners.

“BONNEVILLE POWER ADMINISTRATION — BONNEVILLE LITIGATION — National Wildlife Federation v. U.S. Army Corps of Engineers”:

In March 2003, plaintiffs appealed the court’s January ruling upholding the Corps’ ROCASOD.

“BONNEVILLE POWER ADMINISTRATION — BONNEVILLE LITIGATION — ESA Litigation — National Wildlife Federation v. National Marine Fisheries Service”:

In early May 2003, the U.S. District Court judge issued a decision on the adequacy of the 2000 Biological Opinion. The ruling provides that the 2000 Biological Opinion is inadequate because it relies on offsite mitigation measures that are “not reasonably certain to occur.”

The court has remanded the 2000 Biological Opinion back to NOAA Fisheries to correct the deficiencies identified by the court. To address the court's concern that offsite measures are not reasonably certain to occur, it is possible that NOAA Fisheries may increase the forms and extent of mitigation measures beyond those required in the 2000 Biological Opinion as reviewed by the court. If NOAA Fisheries were to include additional or expanded measures in a new or amended biological opinion it is possible that substantial additional costs could be borne by Bonneville.

## **SERIES 2003-F BONDS**

### **Security**

The Series 2003-F Bonds are special revenue obligations of Energy Northwest issued under and pursuant to Resolution No. 1042, adopted on October 23, 1997 (as amended and supplemented, the "Columbia Electric Revenue Bond Resolution"), and a supplemental resolution adopted on April 30, 2003 (the "Columbia 2003-F Electric Revenue Bond Supplemental Resolution"). The Series 2003-F Bonds are secured on a subordinated basis to the Columbia Prior Lien Bonds (as hereinafter defined) by a pledge of all receipts, income and revenues derived by Energy Northwest from the ownership and operation of Columbia. The Series 2003-F Bonds are secured on parity with \$777,080,000 outstanding principal amount of Columbia Electric Revenue Bonds, heretofore issued pursuant to the Columbia Electric Revenue Bond Resolution and will be secured on a parity with any additional bonds or notes that may be issued by Energy Northwest in the future (the "Columbia Electric Revenue Bonds") or other obligations of Energy Northwest that may be secured pursuant to the Columbia Electric Revenue Bond Resolution or under one or more separate resolutions creating a pledge of and lien on the receipts, income and revenues derived from the Columbia Generating Station of equal rank with the pledge and lien created by the Columbia Electric Revenue Bond Resolution in favor of the Columbia Electric Revenue Bonds issued thereunder.

Conditions to the issuance of additional bonds are described in Appendix G-1, "SUMMARY OF CERTAIN PROVISIONS OF ELECTRIC REVENUE BOND RESOLUTIONS AND SUPPLEMENTAL ELECTRIC REVENUE BOND RESOLUTIONS" and in Appendix G-2, "SUMMARY OF CERTAIN PROVISIONS OF PRIOR LIEN RESOLUTIONS NOS. 769, 640 AND 775 — Subsequent Series of Bonds" in the 2003-A & B Official Statement.

Energy Northwest has \$1,312,531,018 of bonds currently outstanding which were issued pursuant to Resolution No. 640, adopted on June 26, 1973 (as amended and supplemented, the "Columbia Prior Lien Resolution"). Bonds issued pursuant to the Columbia Prior Lien Resolution are hereinafter referred to as the "Columbia Prior Lien Bonds."

Energy Northwest has \$948,610,000 of bonds currently outstanding which were issued pursuant to Resolution No. 769, adopted on September 18, 1975 (as amended and supplemented, the "Project 1 Prior Lien Resolution"). Bonds issued pursuant to the Project 1 Prior Lien Resolution are hereinafter referred to as the "Project 1 Prior Lien Bonds." Energy Northwest has \$1,032,005,000 of bonds (the "Project 1 Electric Revenue Bonds") currently outstanding which were issued pursuant to Resolution No. 835, adopted on November 23, 1993 (as amended and supplemented, the "Project 1 Electric Revenue Bond Resolution"). Bonds issued pursuant to the Project 1 Electric Revenue Bond Resolution are hereinafter referred to as the "Project 1 Electric Revenue Bonds."

Energy Northwest has \$747,827,106 of bonds currently outstanding which were issued pursuant to Resolution No. 775, adopted on December 3, 1975 (as amended and supplemented, the "Project 3 Prior Lien Resolution," and together with the Project 1 Prior Lien Resolution and the Columbia Prior Lien Resolution, the "Prior Lien Resolutions"). Bonds issued pursuant to the Project 3 Prior Lien Resolution are hereinafter referred to as the "Project 3 Prior Lien Bonds." Energy Northwest has \$1,000,210,000 of bonds (the "Project 3 Electric Revenue Bonds") currently outstanding which were issued pursuant to Resolution No. 838, adopted on November 23, 1993 (as amended and supplemented, the "Project 3 Electric Revenue Bond Resolution," and together with the Project 1 Electric Revenue Bond Resolution and the Columbia Electric Revenue Bond Resolution, the "Electric Revenue Bond Resolutions"). Bonds issued pursuant to the Project 3 Electric Revenue Bond Resolution are hereinafter referred to as the "Project 3 Electric Revenue Bonds."

The Columbia Prior Lien Bonds, the Project 1 Prior Lien Bonds and the Project 3 Prior Lien Bonds are collectively referred to herein as the “Prior Lien Bonds.” The Columbia Electric Revenue Bonds, the Project 1 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-F Bonds and any bonds or notes which may be issued pursuant to the Separate Subordinated Resolutions (as defined in the 2003-A & B Official Statement) are collectively referred to herein as the “Net Billed Bonds.” Under the Electric Revenue Bond 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.

### **Purpose of Issuance**

Energy Northwest is issuing the Series 2003-F Bonds for the purpose of providing funds to refund the Columbia Refunding Revenue Promissory Note, 2002A (the “Columbia Promissory Note”) issued by Energy Northwest under the Columbia Credit Agreement, dated as of April 25, 2002, by and between Citibank, N.A. and Energy Northwest (the “Columbia Credit Agreement”), which was issued to finance the cost of planning, construction and acquisition of the ISFSI, to pay costs of other capital improvements at the Columbia Generating Station, and to pay costs relating to the issuance of the Series 2003-F Bonds. See “Plan of Finance.”

### **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 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.

## **BOND INSURANCE**

### **MBIA Municipal Bond Insurance Policy**

Concurrently with the issuance of the of the Series 2003-F Bonds, MBIA Insurance Corporation ("MBIA") will issue its Financial Guaranty Policy (the "MBIA Policy") for the Series 2003-F Bonds in the aggregate principal amount of \$41,330,000. The following information has been furnished by MBIA for use in this Official Statement. Reference is made to Appendix E for a specimen of MBIA's Policy.

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-F 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-F 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-F Bonds. 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 the Series 2003-F 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-F 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-F 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-F 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-F Bonds or presentment of such other proof of ownership of the Series 2003-F Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2003-F Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2003-F Bonds in any legal proceeding related to payment of insured amounts on the Series 2003-F 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-F Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

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 under the heading BOND INSURANCE — MBIA Municipal Bond Insurance Policy. Additionally, MBIA makes no representation regarding the Series 2003-F Bonds or the advisability of investing in the Series 2003-F 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, 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-F 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, 2002, and (2) the Company’s Quarterly Report on Form 10-Q for the quarters ended March 31, 2002, June 30, 2002 and 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 December 31, 2002, MBIA had admitted assets of \$9.2 billion (audited), total liabilities of \$6.0 billion (audited), and total capital and surplus of \$3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

## Financial Strength 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-F 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-F Bonds. MBIA does not guaranty the market price of the Series 2003-F Bonds nor does it guaranty that the ratings on the Series 2003-F Bonds will not be revised or withdrawn.

## PLAN OF FINANCE

### GENERAL

The Series 2003-F Bonds are being issued for the purpose of providing funds to refund the Columbia Promissory Note, to pay costs of other capital improvements at the Columbia Generating Station, and to pay costs relating to the issuance of the Series 2003-F Bonds. The Columbia Promissory Note was issued by Energy Northwest pursuant to the Columbia Credit Agreement for the purpose of financing the costs of planning, construction and acquisition of the ISFSI. For a description of the ISFSI, see "ENERGY NORTHWEST — The Columbia Generating Station — Nuclear Fuel" in the 2003-A & B Official Statement.

### ESTIMATED SOURCES AND USES OF FUNDS

#### Sources of Funds

Proceeds of Series 2003-F Bonds .....	\$41,330,000.00
Original Issue Premium .....	<u>4,741,329.70</u>
Total .....	<u>\$46,071,329.70</u>

#### Uses of Funds

Deposit to Construction Fund <sup>(1)</sup> .....	\$45,270,555.35
Costs of Issuance for Series 2003-F Bonds <sup>(2)</sup> .....	<u>800,774.35</u>
Total .....	<u>\$46,071,329.70</u>

(1) Includes payment of the Columbia Promissory Note.

(2) Includes underwriters' discount and bond insurance premium.



## 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 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-F 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=%41%3a5254%3d8%3c>.

## DESCRIPTION OF THE SERIES 2003-F BONDS

### GENERAL

The Columbia Electric Revenue Bond Resolution authorizes the issuance of the Series 2003-F Bonds for the purpose of refunding the Columbia Promissory Note previously issued and of paying the costs relating to the issuance of the Series 2003-F Bonds.

The Series 2003-F Bonds will initially be dated the date of delivery, and will mature on July 1 in the years and bear interest, payable on January 1 and July 1 of each year, commencing July 1, 2003, at the rates shown on the inside cover of this Official Statement. Interest on the Series 2003-F Bonds is payable by check or draft mailed to the registered owners thereof by BNY Western Trust Company, as Trustee for the Series 2003-F Bonds. Principal of the Series 2003-F Bonds is payable at the office of the Trustee in Seattle, Washington. Notwithstanding the foregoing, upon the written request of a registered owner of at least \$1,000,000 in aggregate principal amount of Series 2003-F Bonds outstanding delivered to the Trustee at least ten days prior to any date on which interest or both principal and interest are payable on such Bonds, the principal of and premium, if any, and interest on such Bonds will be paid by wire transfer of immediately available funds on such date to an account specified by such registered owner in its request.

### REDEMPTION

#### Optional Redemption

The Series 2003-F Bonds maturing on or before July 1, 2013 are not subject to redemption prior to maturity. The Series 2003-F Bonds maturing on and after July 1, 2014 will be subject to redemption prior to maturity at the option of Energy Northwest on and after July 1, 2013, in whole or in part at any time, in such order of maturity as is selected by Energy Northwest and by lot within a maturity, at a redemption price equal to the principal amount of such Bonds to be redeemed, together with accrued interest to the redemption date.

### **Sinking Fund Redemption**

The Series 2003-F Bonds maturing on July 1, 2018 are subject to sinking fund redemption on July 1 in the years and in the amounts set forth below, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

<u>Year</u>	<u>Amount</u>
2017	\$4,250,000
2018 <sup>†</sup>	4,465,000

<sup>†</sup> Final Maturity

### **Notice of Redemption**

The Columbia 2003-F Electric Revenue Bond Supplemental Resolution requires that notice of redemption of any Series 2003-F Bonds is to be given by first-class mail or in such other manner as is required by the Supplemental Resolution not less than 30 days nor more than 60 days before the redemption date to the registered owners of the Series 2003-F Bonds which are to be redeemed. Such notice shall be deemed conclusively to be received by the registered owners of the Series 2003-F 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-F Bonds being redeemed. The Supplemental Resolution further provides that, notice of redemption having been given as described above, the Series 2003-F 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-F Bonds to be redeemed, together with interest thereon to the redemption date, are held by the Paying Agent for such Series 2003-F Bonds on the redemption date.

### **BOOK-ENTRY ONLY SYSTEM; TRANSFERABILITY AND REGISTRATION**

The Series 2003-F Bonds will be available to the ultimate purchasers in book-entry form only, in denominations of \$5,000 and integral multiples thereof. Purchasers of the Series 2003-F Bonds will not receive certificates representing their interests in such Bonds purchased, except as described in Appendix H to the Series 2003-A & B Official Statement, "BOOK-ENTRY ONLY SYSTEM." The Depository Trust Company ("DTC"), New York, New York will act as securities depository ("Securities Depository") for the Series 2003-F Bonds.

As discussed in Appendix H to the 2003-A & B Official Statement, transfers of ownership interests in the Series 2003-F 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-F Bonds. The Columbia 2003-F Electric Revenue Bond Supplemental Resolution provides that Energy Northwest shall not be required to issue, transfer or exchange the related Series 2003-F Bonds for a period of ten days next preceding any interest payment date therefor, to issue, transfer or exchange any Series 2003-F Bond for a period of ten days next preceding any selection of the Bonds to be redeemed or for a period of ten days thereafter or to transfer or exchange any such 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-F 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-F 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-F 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-F Bond, to the extent of the sum or sums paid.

## LEGAL MATTERS

The approving opinion of Willkie Farr & Gallagher, Bond Counsel to Energy Northwest, as to the legality of the Series 2003-F Bonds will be in substantially the form 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-F 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 Agreement. 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 Agreements 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 Agreement by Bonneville and certain other matters, Bond Counsel and General Counsel to Energy Northwest will rely on the opinion of Bonneville's General Counsel. A copy of the proposed form of this opinion 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 Agreement, will be passed upon 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.

## 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 and the accuracy of certain representations, interest on the Series 2003-F Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Special Tax Counsel is of the further opinion that interest on the Series 2003-F 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-F Bonds and the due authorization and issuance of the Series 2003-F Bonds. A complete copy of the proposed form of opinion of Special Tax Counsel is set forth in Appendix B hereto.

Series 2003-F Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2003-F 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-F 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-F Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2003-F 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-F Bonds may adversely affect the value of, or the tax status of interest on, the Series 2003-F 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-F 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-F 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-F 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-F 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-F 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-F Bonds ends with the issuance of the Series 2003-F Bonds, and, unless separately engaged, Special Tax Counsel is not obligated to defend the tax-exempt status of the Series 2003-F 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-F 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 the Series 2003-F Bonds the ratings of AAA, Aaa and AAA, respectively, based on the MBIA Policy. Ratings were applied for by Energy Northwest and certain information was supplied by Energy Northwest and Bonneville to such rating agencies to be considered in evaluating the Series 2003-F Bonds. 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-F Bonds.

## **UNDERWRITING**

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 2003-F Bonds from Energy Northwest and to make a bona fide public offering of such Bonds at not in excess of the public offering prices set forth on the inside cover of this Official Statement. Aggregate underwriters' compensation under the bond purchase contract is \$309,274.35. The Underwriters' obligations are subject to certain conditions

precedent contained in the bond purchase contract and they will be obligated to purchase all such Series 2003-F Bonds if any such Bonds are purchased. The Series 2003-F Bonds may be offered and sold to certain dealers, banks and others (including underwriters and other dealers depositing such Series 2003-F 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-F Bonds.

### **CONTINUING DISCLOSURE**

Pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (“Rule 15c2-12”), Energy Northwest and Bonneville will enter into a Continuing Disclosure Agreement, to be dated the date of delivery of the Series 2003-F Bonds for the benefit of holders of the Series 2003-F 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-F 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 C, “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 Agreement, 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-F Bonds, the basic agreements securing the Series 2003-F 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-F Bonds is to be construed as a contract with the holders of the Series 2003-F 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.

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

**ENERGY NORTHWEST**

By:           /s/ John F. Cockburn            
Chairman of Executive Board

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

**Upon delivery of the Series 2003-F 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 \$41,330,000 Columbia Generating Station Electric Revenue Bonds, Series 2003-F (the "Series 2003-F Bonds"). The Series 2003-F Bonds are authorized to be issued pursuant to (i) the Act, (ii) Resolution No. 1042 (the "Electric Bond Resolution"), adopted by the Executive Board of Energy Northwest (the "Executive Board") on October 23, 1997, and (iii) a resolution entitled "A Supplemental Resolution Providing for the Issuance of \$41,330,000 Energy Northwest Columbia Generating Station Electric Revenue Bonds, Series 2003-F" (the "Supplemental Resolution") adopted by the Executive Board pursuant to the Electric Bond Resolution on April 30, 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 Series 2003-F 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 Series 2003-F 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 Series 2003-F Bonds rank junior as to security and payment to bonds issued and outstanding under the Prior Lien Resolution. The Series 2003-F Bonds rank equally as to security and payment with all other Parity Debt.

In connection with the issuance of the Series 2003-F 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 Series 2003-F Bonds, including particularly (i) the Electric Bond Resolution which authorizes, among other things, the issuance, from time to time, of Parity Debt, (ii) the Supplemental Resolution which authorizes, among other things, the issuance of the Series 2003-F Bonds and (iii) a resolution, adopted by Energy Northwest on April 30, 2003 (the "Electric Bond Sale Resolution"), authorizing, among other things, the sale of the Series 2003-F Bonds and the execution and delivery of a Contract of Purchase, dated May \_\_, 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 Series 2003-F Bonds as we deemed necessary or advisable; and

The lowest sequentially numbered and executed Series 2003-F Bond issued on the date hereof.

Based upon the foregoing, it is our opinion that:

1. Energy Northwest is a municipal corporation and joint operating agency, duly created and existing under the laws of the State, including particularly the Act, having the right and power under the Act to acquire, construct, own and operate the Project, adopt the Prior Lien Resolution, the Electric Bond Resolutions and the Electric Bond Sale Resolution, issue the Series 2003-F Bonds and apply the proceeds of the Series 2003-F Bonds in accordance with the Supplemental Resolution.

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

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

4. The Series 2003-F Bonds have been duly and validly authorized and issued under the Act and the Electric Bond Resolutions and constitute valid and binding special revenue obligations of Energy Northwest, enforceable in accordance with their terms and the terms of the Electric Bond Resolutions.

5. The Series 2003-F Bonds are payable solely from the revenues and other amounts pledged to such payment under the Electric Bond Resolutions. The Series 2003-F Bonds are not a debt of the State or any political subdivision thereof (other than Energy Northwest) and neither the State nor any other political subdivision of the State is liable thereon.

In rendering the foregoing opinions, we wish to advise you that the enforceability of the Electric Bond Resolutions, the Electric Bond Sale Resolution, the Prior Lien Resolution and the Series 2003-F Bonds may be limited by (i) any applicable bankruptcy, insolvency or other law or enactment now or hereinafter enacted by the State or Federal government affecting the enforcement of creditors' rights and (ii) the unavailability of equitable remedies or the application thereto of equitable principles. Further, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings. We have not verified, and express no opinions as to, the accuracy of any "CUSIP" identification number which may be printed on any Series 2003-F Bond.

Very truly yours,



**Upon delivery of the Series 2003-F Bonds  
Bond Counsel proposes to render  
an opinion in substantially the following form.**

Executive Board  
Energy Northwest  
Richland, Washington 99352-0968

Ladies and Gentlemen:

We are acting as bond counsel with respect to the issuance of Columbia Generating Station Electric Revenue Bonds, Series 2003-F, in the aggregate principal amount of \$41,330,000 (the "Series 2003-F Bonds"), by Energy Northwest (formerly known as the Washington Public Power Supply System), a municipal corporation and a joint operating agency organized and existing under the laws of the State of Washington (the "State"). The Series 2003-F Bonds are authorized to be issued pursuant to (i) Chapter 43.52 of the Revised Code of Washington, as amended (the "Act"), (ii) Electric Revenue Bond Resolution No. 1042, entitled "A Resolution Providing For The Issuance Of Washington Public Power Supply System Project No. 2 Electric Revenue Bonds," adopted by the Executive Board of Energy Northwest (the "Executive Board") on October 23, 1997 (the "Resolution"), and (iii) Resolution No. 1301, entitled "A Supplemental Resolution Providing for the Issuance of the Energy Northwest Columbia Generating Station Electric Revenue Bonds, Series 2003-F" adopted by the Executive Board on April 30, 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 Series 2003-F Bonds, Energy Northwest has requested that we examine the validity of the WPPSS No. 2 Project Net Billing Agreements (the "Net Billing Agreements"), the WPPSS No. 2 Project Agreement (the "Project Agreement"), the Project No. 2 Assignment Agreement, dated as of August 24, 1984 (the "Assignment Agreement"), by and between Energy Northwest and the United States of America, Department of Energy, acting by and through the Administrator (the "Administrator") of the Bonneville Power Administration ("Bonneville"), the letter agreement, dated August 1, 1989 (the "1989 Letter Agreement"), by and between Energy Northwest and the Administrator, and the agreement dated March 1, 1990 (the "Bonneville Agreement"), between the Administrator and Energy Northwest regarding the disposition of the Columbia Generating Station properties after termination. The Columbia Generating Station was formerly known as Nuclear Project No. 2.

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

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

(f) The Certificate of the Administrator, dated the date hereof, certifying that (i) neither the Administrator nor, to the best of his knowledge, any other party thereto has taken any action to (1) repeal, modify or terminate the Net Billing Agreements, the Project Agreement, the Assignment Agreement, 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 Project Agreement, 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 (collectively, the "Local Counsel Opinions") for each WPPSS No. 2 Project Participant, (herein "Columbia Generating Station Participant") rendered in 1971 and 1972, to the effect that, *inter alia*, the Net Billing Agreement to which such Columbia Generating Station Participant is a party was duly authorized, executed and delivered by such Participant and did not constitute a violation of or conflict with the provisions of applicable law;

(i) The opinion of 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 Project Agreement, 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 Columbia Generating Station Participant identified therein is validly existing and that such Participant has duly adopted, ratified and confirmed the execution and delivery of the Net Billing Agreement to which it is a party;

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

(l) A certified copy of Supply System Resolution No. 640 adopted on June 26, 1973, as amended and supplemented (the "Prior Lien Resolution"); and

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

Based upon the foregoing and in reliance thereon, we are of the opinion that each of the Net Billing Agreements, the Project Agreement and the Assignment Agreement is a legal and valid obligation of each of the parties thereto, enforceable against such parties in accordance with its terms, and that the 1989 Letter Agreement 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 Columbia Generating Station Participant represented by such counsel, (B) the due authorization by all requisite governmental or corporate action, as the case may be, and due execution and delivery of the Net Billing Agreement to which such Participant is a party by such Participant and (C) no violation of or conflict with the provisions of applicable law; and (b) we have, with your consent, relied on (1) the opinion of 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-F 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  
\$41,330,000 Columbia Electric Revenue Bonds, Series 2003-F

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 \$41,330,000 aggregate principal amount of Columbia Generating Station Electric Revenue Bonds, Series 2003-F (the "Series 2003-F Bonds"). The Series 2003-F Bonds are being issued pursuant to Chapter 43.52 of the Revised Code of Washington, as amended (the "Act"), and Resolution No. 1042, adopted by Energy Northwest on October 23, 1997, as amended and supplemented, and a supplemental resolution adopted on April 30, 2003 (the "Resolution"). The Series 2003-F Bonds are being issued for the purpose of providing funds to refund the Columbia Promissory Note previously issued by Energy Northwest and of paying the costs relating to the issuance of the Series 2003-F Bonds.

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-F 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-F 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-F 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, including matters essential to the exclusion of interest on the Series 2003-F Bonds from gross income for federal income tax purposes, 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-F 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-F 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 May \_\_, 2003, relating to the Series 2003-F Bonds or other offering material relating to the Series 2003-F 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-F Bonds and the due authorization and issuance of the Series 2003-F 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-F Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series 2003-F 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-F Bonds.

Faithfully yours,

**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-F 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-F 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-F 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-F Bonds.

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

Bonneville will undertake for the benefit of the holders of the Series 2003-F 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-F 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-F 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-F 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-F Bonds; (7) modifications to the rights of holders of the Series 2003-F Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2003-F Bonds; and (11) rating changes. In addition, Energy Northwest will undertake, for the benefit of the holders of the Series 2003-F 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-F 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-F 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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**APPENDIX D**

**FEDERAL SYSTEM UNAUDITED QUARTERLY REPORT FOR THE SIX MONTHS  
ENDED MARCH 31, 2003**

## QUARTERLY REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2003

**Federal Columbia River Power System****Comparative Balance Sheets (Unaudited)**

(Thousands of Dollars)

	March 31	
	2003	2002
<b>Assets</b>		
<b>Utility Plant</b>		
Completed plant	\$11,576,469	\$11,323,659
Accumulated depreciation	(4,174,785)	(3,940,073)
	7,401,684	7,383,586
Construction work in progress	1,290,326	996,716
Net utility plant	8,692,010	8,380,302
<b>Nonfederal Projects</b>	6,204,572	6,176,059
<b>Trojan Decommissioning Cost</b>	73,726	66,710
<b>Conservation, net of accumulated amortization</b>	391,701	413,710
<b>Fish &amp; Wildlife, net of accumulated amortization</b>	126,475	141,426
<b>Current Assets</b>	1,092,407	1,307,215
<b>Other Assets</b>	143,375	201,819
	<b>\$16,724,266</b>	<b>\$16,687,241</b>
<b>Capitalization and Liabilities</b>		
<b>Accumulated Net Expenses</b>	(\$1,906)	(\$284,626)
<b>Federal Appropriations</b>	4,596,506	4,671,085
<b>Capitalization Adjustment</b>	2,158,548	2,226,078
<b>Long-Term Debt</b>	2,663,141	2,622,542
<b>Nonfederal Projects Debt</b>	5,961,206	5,958,230
<b>Trojan Decommissioning Reserve</b>	63,726	54,710
<b>Current Liabilities</b>	801,497	869,715
<b>Deferred Credits</b>	481,548	569,507
	<b>\$16,724,266</b>	<b>\$16,687,241</b>

The irrigation assistance distribution of \$16,560 for fiscal 2001 is included in accumulated net expenses.

**Comparative Statements of Revenues and Expenses (Unaudited)**

(Thousands of Dollars)

	Six months ended		Twelve months ended	
	March 31		March 31	
	2003	2002	2003	2002
<b>Operating Revenues:</b>				
Revenues	\$1,712,807	\$1,726,629	\$3,393,582	\$3,304,467
SFAS 133 mark-to-market (loss) gain	21,230	1,319	58,265	(3,119)
Other revenues	20,789	17,191	53,169	50,347
U.S. Treasury credits for fish	66,264	26,158	78,506	534,649
<b>Operating Revenues</b>	<b>1,821,090</b>	1,771,297	<b>3,583,522</b>	3,886,344
<b>Operating Expenses:</b>				
Operations and maintenance	567,490	577,068	1,310,129	1,150,221
Purchased power	584,260	738,704	1,132,423	1,896,945
Non-Federal projects	112,993	170,762	172,406	325,623
Federal projects depreciation	173,721	160,923	348,003	324,769
<b>Operating Expenses</b>	<b>1,438,464</b>	1,647,457	<b>2,962,961</b>	3,697,558
Net operating revenues (expenses)	382,626	123,840	620,561	188,786
<b>Interest Expense</b>	<b>172,856</b>	187,315	<b>337,841</b>	354,924
<b>Net (Expenses) Revenues</b>	<b>\$209,770</b>	(\$63,475)	<b>\$282,720</b>	(\$166,138)

**Derivative Instruments and Hedging Activities**

The SFAS 133 mark-to-market (MTM) amount is an "accounting only" (no cash impact) adjustment representing the MTM adjustment required by SFAS 133, as amended, for identified derivative instruments.

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**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