



**ENERGY  
NORTHWEST**

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January 24, 2017

10 CFR 50.71(b)

GO2-17-024

U.S. Nuclear Regulatory Commission  
ATTN: Document Control Desk  
Washington, D.C. 20555-0001

Subject: **COLUMBIA GENERATING STATION, DOCKET NO. 50-397;  
2016 ANNUAL FINANCIAL REPORT**

Dear Sir or Madam:

In accordance with the requirements of 10 CFR 50.71(b), enclosed is a copy of the Energy Northwest 2016 Annual Report for the subject facility.

There are no commitments contained in this letter or the enclosure. Should you have any questions, please call DM Wolfgramm at (509) 377-4792.

Respectfully,

DW Gregoire  
Manager, Regulatory Affairs and Performance Improvement

Enclosure: As stated

Cc: NRC RIV Regional Administrator w/o  
NRC NRR Project Manager w/o  
NRC Sr. Resident Inspector – 988C w/o  
C Sonoda – BPA/1399 w/o  
WA Horin – Winston & Strawn w/o

M004  
NRR

# **ENERGY NORTHWEST 2016 ANNUAL REPORT**

Enclosure



2016 ANNUAL REPORT



# CONTENTS

- 3 A Message to our Stakeholders
- 4 Executive Board
- 5 Board of Directors
- 6 Senior Leadership
- 7 Sustainability Reporting
- 12 Columbia Generating Station
- 14 Energy Services & Development
- 18 Members and Projects Map

- 19 **Financial Data & Information**
- 20 Management Report on Responsibility for Financial Reporting
- 20 Audit, Legal and Finance Committee Chair's Letter
- 21 Independent Auditor's Report
- 22 Energy Northwest Management's Discussion and Analysis
- 29 Current Debt Ratings
- 30 Statement of Net Position
- 34 Statements of Revenues, Expenses and Changes in Net Position
- 35 Statements of Cash Flows
- 37 Notes to Financial Statements
- 55 Schedules of Required Supplementary Information



*Energy Northwest's 1,100 employee-led workforce produced a near-record output of electricity for the ratepayers of the Pacific Northwest during fiscal year 2016.*





# A MESSAGE TO OUR STAKEHOLDERS

We're proud to report Energy Northwest's 1,100 employee-led workforce produced a near-record output of electricity for the ratepayers of the Pacific Northwest during fiscal year 2016.

Columbia Generating Station sent 9,617,206 megawatt-hours of net generation to the grid, its second-highest fiscal year generation total ever. Columbia also set monthly generation records in December and January; and achieved its lowest dose in a fiscal year in more than 30 years of operation, a direct result of the efforts of employees working as a team.

Packwood Lake Hydroelectric Project and Nine Canyon Wind Project availability remained above generation goals for the fiscal year. Nine Canyon set a record availability for the fiscal year at 99.32 percent. The wind turbines also set availability records for August, October, February, March, April and June.

Based on generation achievements, EN paid more than \$4.4 million in privilege taxes to the state of Washington. Those funds help educate our children and sustain our standard of living in the Pacific Northwest.

Columbia launched Delivering the Nuclear Promise, an initiative driven by chief nuclear officers throughout the industry aimed at maintaining operational focus while significantly increasing plant efficiency – and value – by 2020. Our agency-specific cost-effective operation plan aligns well with the nuclear promise goal to reduce the cost of power from U.S. plants during the next three to five years.

This fall, the Energy Northwest executive board approved corrective actions developed by agency leaders in response to a recent investigation into claims raised in anonymous letters to the board. Many of the actions have already been implemented. The independent investigation team concluded senior leadership has been transparent and Columbia is operated in a safe manner. The investigation also found that employees are nearly unanimous in stating their willingness to raise concerns to their direct supervisors, managers and senior leadership; are willing to raise concerns through the employee concerns and corrective action programs; and have positive assessments of their work environment.

This year we added "Successful Outage" to Phase IV, Sustaining Excellence, of our Excellence in Performance program that we implemented at Energy Northwest more than five years ago. The team planning next May's refueling and maintenance outage has and continues to prepare to execute the work planned during the 40-day schedule to ensure we are predictable, and return Columbia online within the allotted time frame.

Despite challenges affecting the entire power industry, it's been a productive, record-setting year at Energy Northwest. All of us at Energy Northwest look forward to next year when we celebrate 60 years of providing the region with safe, reliable, cost-effective, responsible power generation and energy solutions.

Respectfully,

**Sid Morrison**

Chair, Executive Board

**Mark Reddemann**

Chief Executive Officer



**MARK REDDEMANN**

**SID MORRISON**





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



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



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



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



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



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



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



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



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



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



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

## EXECUTIVE BOARD

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



**TERRY BREWER**  
President  
Commissioner,  
Grant County PUD 2



**BARNEY BURKE**  
Vice President  
Commissioner,  
Jefferson County PUD



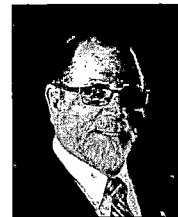
**BILL GORDON**  
Secretary  
Commissioner,  
Franklin County PUD



**ARIE CALLAGHAN**  
Assistant Secretary  
Commissioner,  
Grays Harbor County PUD 1



**DOUG AUBERTIN**  
Commissioner,  
Ferry County PUD



**CARNAN BERGREN**  
Commissioner,  
Chelan County PUD



**CRAIG FULTON**  
Director of Public Works  
and Utilities,  
City of Port Angeles



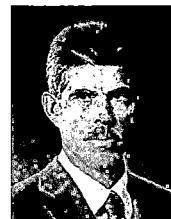
**BILL GAINES**  
Director and CEO,  
Tacoma Public Utilities



**LINDA GOTT**  
Commissioner,  
Mason County PUD 3



**LIZ GREEN**  
Commissioner,  
Skamania County PUD



**DAN GUNKEL**  
Commissioner,  
Klickitat County PUD



**BOB HAMMOND**  
Energy Services Director,  
City of Richland Energy  
Services



**STEVE HOUSTON**  
Commissioner,  
Okanogan County PUD



**JACK JANDA**  
Commissioner,  
Mason County PUD 1



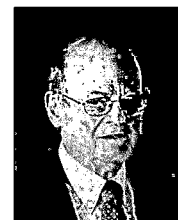
**MIKE JONES**  
Power Supply and Strategic  
Planning Officer,  
Seattle City Light



**ROBERT JUNGERS**  
Commissioner,  
Wahkiakum County PUD



**CURT KNAPP**  
Commissioner,  
Pend Oreille County PUD



**JIM MALINOWSKI**  
Commissioner,  
Clark Public Utilities



**M.L. NORTON**  
General Manager,  
Centralia City Light



**NED PIPER**  
Commissioner,  
Cowlitz County PUD



**WILL PURSER**  
Commissioner,  
Clallam County PUD



**JUDY RIDGE**  
Commissioner,  
Asotin County PUD



**SHAN ROWBOTHAM**  
Commissioner,  
Kittitas County PUD



**LORI SANDERS**  
Commissioner,  
Benton PUD



**CHUCK TENPAS**  
Commissioner,  
Lewis County PUD



**DIANA THOMPSON**  
Commissioner,  
Pacific County PUD 2



**KATHY VAUGHN**  
Commissioner,  
Snohomish County PUD

## BOARD OF DIRECTORS

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



## SENIOR LEADERSHIP

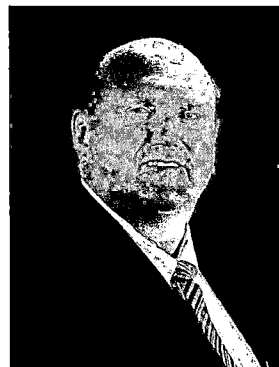
The senior leadership team manages day-to-day operations, executes programs and projects, establishes long-term strategies in direct support of Energy Northwest's vision, and provides essential hands-on leadership to foster continual improvement and strengthen organizational core values in the workforce.



**BRAD SAWATZKE**  
Chief Operating Officer;  
Chief Nuclear Officer



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



**GROVER HETTEL**  
Vice President for Operations



**MARK REDDEMANN**  
Chief Executive Officer



**ALEX JAVORIK**  
Vice President for Engineering



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



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

# SUSTAINABILITY REPORTING



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

## ECONOMIC VALUE

Energy Northwest's generation resulted in a fiscal year 2016 privilege tax payment to the state of Washington of more than \$4.4 million. This annual tax is levied on public power electricity producers for the privilege of generating electricity in the state.

Privilege tax payments are distributed to the state school fund, state general fund and 39 separate jurisdictions within a 35-mile radius of Columbia Generating Station. Set by state statute, these payments benefit city and county governments, and fire and library districts—directly enhancing the quality of life throughout Washington state.

Since commencing operations in 1984, EN has paid approximately \$87 million in privilege taxes on

its electricity generation while producing virtually no greenhouse gas emissions.

**More Value Added:** The 2012 extension of Columbia's operating license through 2043 allowed a similar extension of bonds and decommissioning fund contributions into a new 20-year license period. Combined with regional cooperation debt, low-cost nuclear fuel purchases, reduced operations and maintenance budgets, and other cost-cutting activities, the agency will contribute more than \$2.2 billion (offset by a \$160 million increase in Columbia's capital financing and inventory) in regional savings between 2012 and 2023.



### Regional Cooperation Debt

In 2014, EN and the Bonneville Power Administration began refinancing low-interest municipal bond debt from Columbia and nuclear projects 1 and 3 to pay off Bonneville's higher-interest federal debt. EN completed four transactions, leveraging regional debt carrying rates from 2.4 to 3.17 percent to pay off BPA's 7.15-percent-interest-rate federal debt. As of the end of fiscal year 2016, extending EN's nuclear debt to pay off this higher-interest federal debt equals more than \$650 million in savings to ratepayers through 2032.

### Cost-Effective Operation

This Phase IV focus area consists of the industry's Delivering the Nuclear Promise initiative and in collaboration with BPA, EN – through various industry initiatives – is focused on reducing Columbia's cost of power in order to be regionally competitive while maintaining safe, reliable operation.

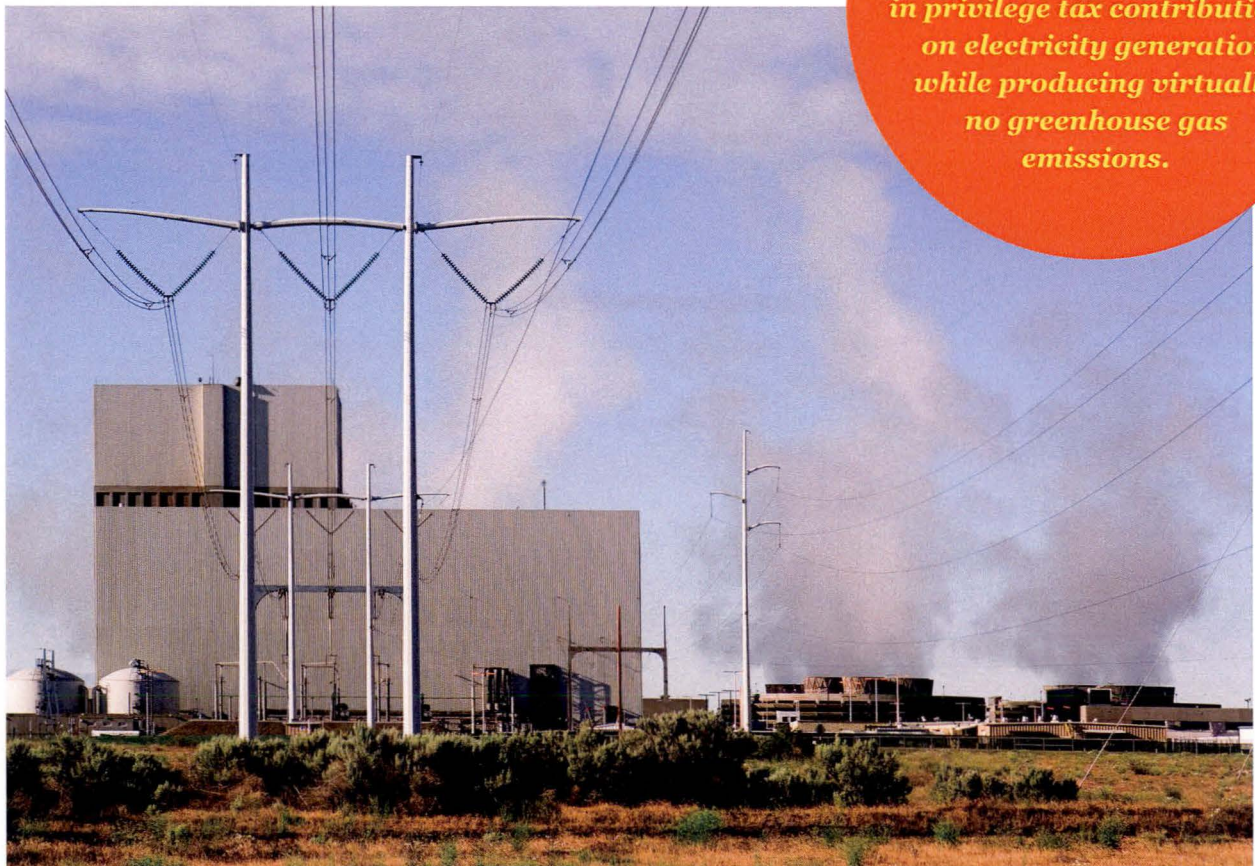
### Long-Range Planning for Columbia

Columbia's long-range plan forecasts and prioritizes resources required to maintain safe, reliable, predictable and cost-effective operations.

The 10-year operations, maintenance and capital budget forecast is challenged and managed by cross-functional teams and senior leadership, and approved by the executive board. Steering committees assigned to mission-critical projects ensure schedule and budget success.

Through successful development and management of the 10-year, long-range plan, Columbia has decreased cost of power and maintains flat capital cost at fiscal 2016 and 2017 levels.

*Since commencing operations in 1984, EN has paid approximately \$87 million in privilege tax contributions on electricity generation while producing virtually no greenhouse gas emissions.*





## ENVIRONMENTAL STEWARDSHIP

Energy Northwest has produced carbon-free energy for more than 50 years. Generating clean energy is an important step in reducing the effects of climate change and vital to protecting the environment for current and future generations.

As an organization, EN is committed to doing its part to take care of the environment, and expects employees to bring an environmental ethic with them daily, wherever they work. This commitment is formalized through the Environmental Management System.

The program is a systematic approach to managing environmental hazards and potential impacts. Employees use program standards to identify potential environmental risks and prevent negative impacts through necessary controls and programs. Monitoring and measuring environmental performance, continual improvement, and sharing the agency's progress with interested parties are vital components to the success of the EMS. To ensure the EMS is effective and continues to improve, EN uses NSF International Strategic Registrations, an accredited registrar, to verify EMS conformance annually. EN maintains its EMS certification to the ISO 14001 standard.

A photograph of two workers in safety gear (hard hats and high-visibility vests) standing in a field, looking towards a large industrial facility (likely a power plant) in the distance. The facility has several tall smokestacks emitting thick white plumes of steam or smoke. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The foreground is a field of dry, brownish vegetation.

3.6 – 4.4  
Million

the  
metric tons of  
greenhouse gases  
Columbia prevents  
from entering the  
atmosphere  
each year



## MANAGING ENVIRONMENTAL RISK

The EMS guides the organization to systematically identify, manage, control and monitor environmental impacts through use of the triple bottom-line concept, which incorporates values important to fiscal responsibility, environmental protection and social responsibility.

To reduce risk, the EMS requires operational controls on activities that could significantly impact the environment. Several such controls are in place. For example, Columbia recently implemented a stormwater pollution prevention plan to help reduce the impact stormwater may have to groundwater and surrounding surface waters. This plan contains best-management practices to prevent stormwater from becoming contaminated with oil or other pollutants from runoff in parking lots and building roofs.

Energy Northwest regularly reviews all its operation activities to identify impacts and minimize environmental impact.

### Environmental Objectives

The corporate strategic plan contains initiatives to improve environmental performance at all agency facilities. EN leaders develop objectives and targets to reduce impacts from environmental aspects of operations, consistent with environmental strategic initiatives, which are incorporated at all levels of the organization.

### Reduce Waste

Through the pollution prevention program, Energy Northwest has set aggressive targets to reduce all types of waste including hazardous and mixed waste. The pollution prevention program prioritizes minimizing waste through job planning and product substitution with more environmentally friendly chemicals. When waste must be generated, disposal is only used if reuse and recycle options are unavailable.

Recycling is important in reducing waste and all facilities participate in the recycling program. During fiscal 2016, the agency recycled more than 209 tons of waste (plastic, aluminum, paper, cardboard and metal).

### Energy Efficiency

EN implemented a strategic initiative to improve energy efficiency. Projects include replacing inefficient lights with light emitting diode fixtures and installing occupancy sensors in office buildings and warehouses. During fiscal 2016, EN implemented energy efficiency initiatives that will save more than 80 megawatt-hours of energy annually.

### Continual Improvement

EN is committed to generating energy in a clean and responsible manner, and remains committed to continual improvement of its environmental performance. All projects generate carbon-free energy. Some operation and maintenance activities, however, generate low amounts of greenhouse gas emissions. EN sets goals to improve agency performance, and has a target to reduce greenhouse gas emissions. EN set a fiscal 2017 goal to reduce greenhouse gas emissions by 80 metric tons.

EN moves forward into fiscal 2017 with a goal to achieve and maintain environmental excellence by fostering environmental stewardship at all facilities and operations.



*Generating clean energy is an important step in reducing the effects of climate change and vital to protecting the environment for current and future generations.*



## COMMUNITY SERVICE

As a major Washington state employer and member of the local Tri-Cities business community for nearly 60 years, Energy Northwest strongly believes in supporting local community organizations, and non-profit agencies.

The approximately 1,100 employees who live in the greater Tri-Cities area play a major role in the health and welfare of the community. They contribute both their time as volunteers and provide financial support. The agency supports three major charities: Benton and Franklin Head Start, March of Dimes and the United Way. Employees – through individual initiative – are also involved in Special Olympics, the American Cancer Society, the Red Cross, Junior Achievement and Columbia Basin College's Math, Engineering & Science Achievement program, among other civic and community activities.



### Benton and Franklin Head Start

Since 1980, employees have brought holiday cheer to more than 11,000 local children in low-income families. Each year, employees commit to adopting every child in the Benton and Franklin Head Start program by providing gifts for the holiday season. During fiscal 2016 employees fulfilled the wishes of 521 children. Additionally, employees dressed as Santa and elves to deliver those gifts to schools participating in the Head Start program.

### March of Dimes

Team EN exceeded its donation goal by raising more than \$27,000 during 2016 for the March of Dimes. Employees, along with friends and family, participated in a 3.1 mile walk during the Tri-Cities March for Babies event to support neonatal birth centers and local families in need.

### United Way

During fiscal 2016, employees contributed more than \$87,000 to the United Way of Benton and Franklin Counties. Employee contributions help provide hot meals to elderly neighbors, provide disaster relief planning for the local community, and fund youth developmental (including at-risk) programs.



The approximately **1,100** employees who live in the Tri-Cities area play a major role in the health and welfare of the community.





## COLUMBIA GENERATING STATION

Columbia Generating Station near Richland is the third largest generator in Washington (behind Grand Coulee and Chief Joseph dams), and represents about 12 percent of the Bonneville Power Administration's firm energy and 9.5 percent of Bonneville's sustained peak capacity.

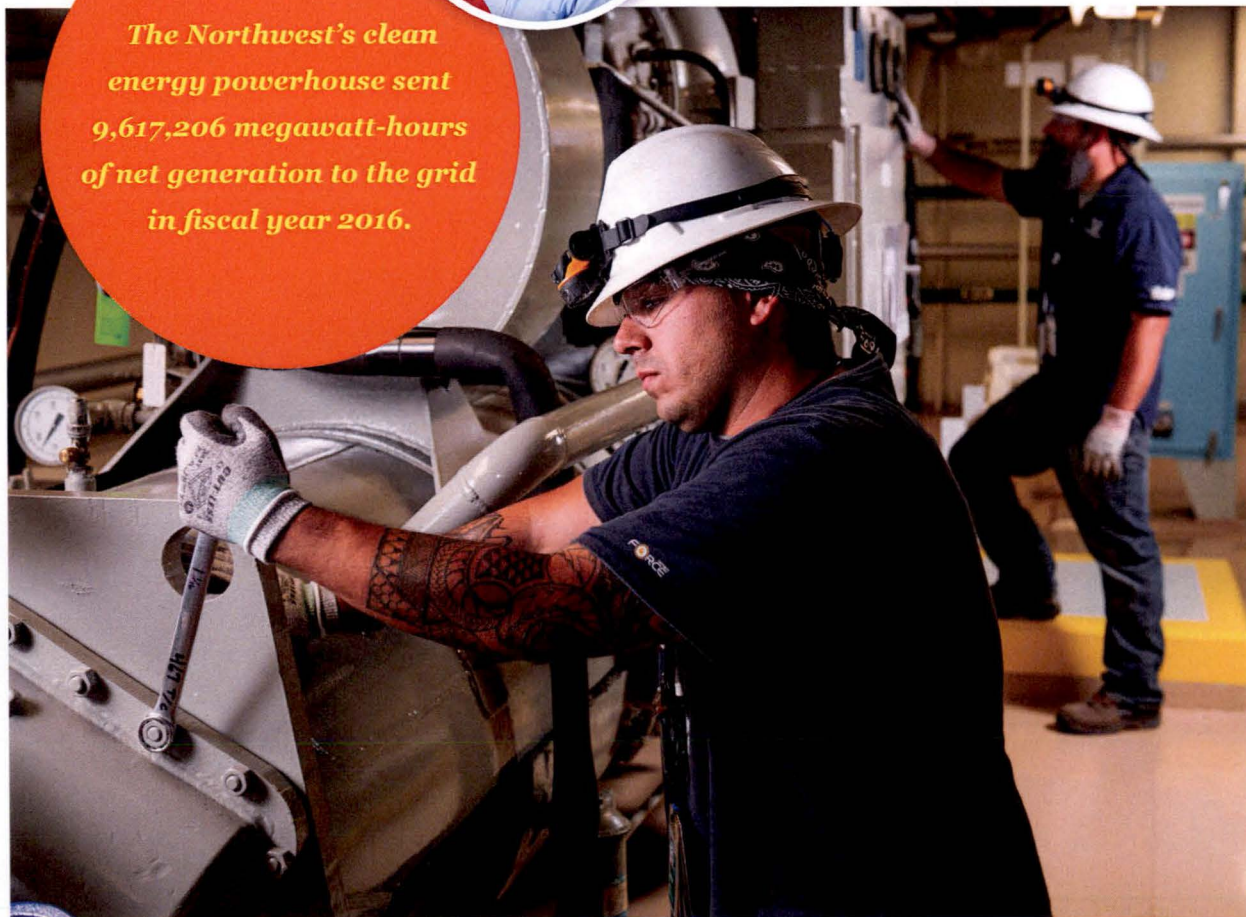
Columbia's 1,190 (1,157 nameplate) megawatt-electric output is enough energy to power a city the size of Seattle, about three percent of all electricity

used in the Pacific Northwest. This power is sold at-cost to BPA and 92 Northwest utilities receive a percentage of its output.

During fiscal year 2016, Columbia sent 9,617,206 megawatt-hours of net generation to the grid, its second-highest fiscal year generation total ever.



*The Northwest's clean energy powerhouse sent 9,617,206 megawatt-hours of net generation to the grid in fiscal year 2016.*





## POWER OF THE PELLET



**1 URANIUM PELLET**  
is equivalent to the energy provided by:

**149**  
Gallons of oil



**17 MILLION**  
thermal units  
of natural gas



**1,780**  
Pounds of coal





## ENERGY SERVICES & DEVELOPMENT

### NINE CANYON WIND PROJECT

During fiscal year 2016 Nine Canyon Wind Project achieved a record 99.32 percent adjusted availability rate. Situated along the hilltops southeast of Kennewick, Nine Canyon is one of the largest publicly-owned wind projects in the nation with 63 wind turbines; 14 rated at 2.3 megawatts and 49 rated at 1.3 megawatts.

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



*Nine Canyon utilizes employee expertise gained in part, through wind energy technician training programs at Walla Walla Community College and Columbia Gorge Community College.*

### PACKWOOD LAKE HYDROELECTRIC PROJECT

The 27.5 megawatt Packwood Lake Hydroelectric Project achieved a 99.14 percent adjusted availability rate during fiscal 2016. Located in the Gifford Pinchot National Forest in Lewis County, approximately 20 miles south of Mt. Rainier, the facility is Energy Northwest's first electric power generation project and began commercial operation in 1964.

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

### WHITE BLUFFS SOLAR STATION

White Bluffs Solar Station, a 242-panel demonstration facility, is located at the Industrial Development Complex near Columbia Generating Station.

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





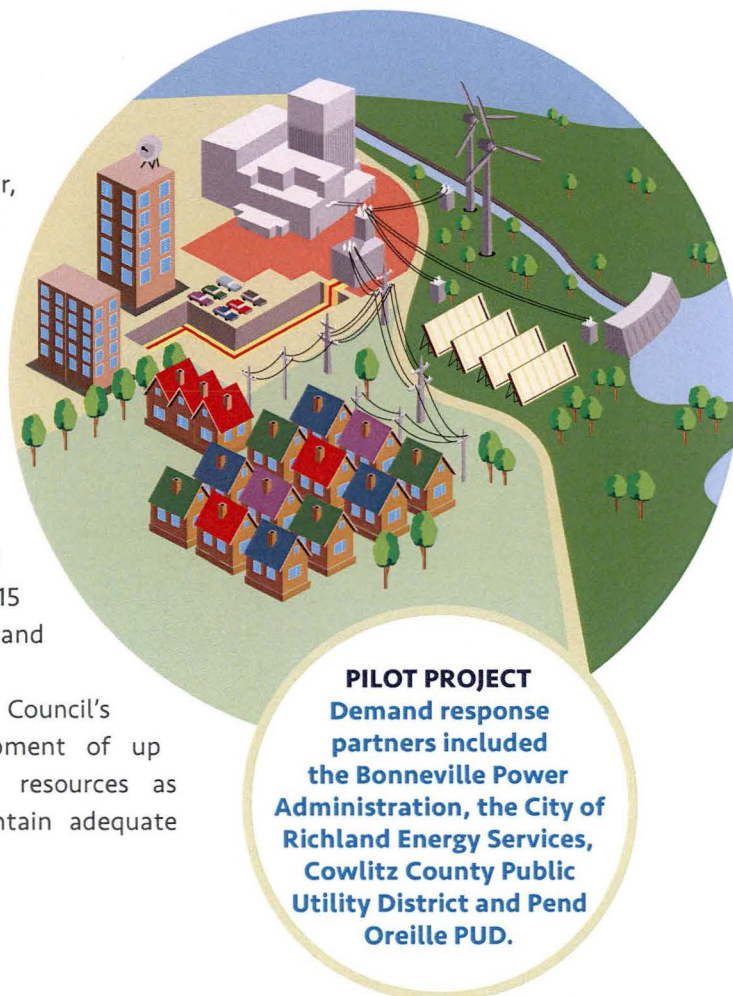
## GENERATION & PROJECT DEVELOPMENT

### Aggregated Demand Response Pilot Project

In 2016, EN successfully concluded a one-year, 35-megawatt, aggregated demand response pilot project in partnership with the Bonneville Power Administration, the City of Richland Energy Services, Cowlitz Public Utility District and Pend Oreille PUD. The project demonstrated use of aggregated demand response as a viable and cost-effective resource for balancing the smart grid. The pilot was the first such public-power-led program in the Northwest.

Peak Load Management Alliance recognized the project as one of the nation's most creative demand response programs, initiatives and achievements of 2015 with their national Pacesetter Award for Innovation and Excellence.

The Northwest Power and Conservation Council's Seventh Northwest Power Plan identifies development of up to 600 megawatts-electric of demand response resources as a high priority and the least-cost means to maintain adequate peak reserves.



**PILOT PROJECT**  
Demand response partners included the Bonneville Power Administration, the City of Richland Energy Services, Cowlitz County Public Utility District and Pend Oreille PUD.

### Community Solar

Since 2009, utilities in the state of Washington have been exploring, developing and implementing community solar projects in response to customer interest in carbon-free sources of energy and financial incentives. Energy Northwest, in collaboration with Mason County PUD 3, Benton PUD, Inland Power and Light Company and Clark Public Utilities published a Community Solar Planning Guide to help Washington utilities develop solar projects that are 75 kilowatts or less.

Community solar is a way to have the benefits of rooftop solar without solar panels on a roof. Utility customers purchase units in a centrally located solar

array and take advantage of economies of scale. The serving utility takes responsibility for finding the right site, building and maintaining the array, and charging a prorated cost to customers based on their level of participation.

Community solar can meet the demand for customer interest in solar while at the same time allowing utilities to control the integration of solar to the grid. This is a win-win for both customers and utilities. There is minimal, if any, cost to the utility and the entire project cost is prepaid by the customer before construction.



### EVITA powered

The Electric Vehicle Infrastructure Transportation Alliance is leading the way to advocate for sustainable electric transportation infrastructure in southeast Washington. This effort is sponsored by the Mid-Columbia Energy Initiative, a collaborative industry effort coordinated through the Tri-City Development Council. Alliance members include Franklin and Benton PUDs, Benton Rural Electric Association, City of Richland Energy Services and with support from Energy Northwest.

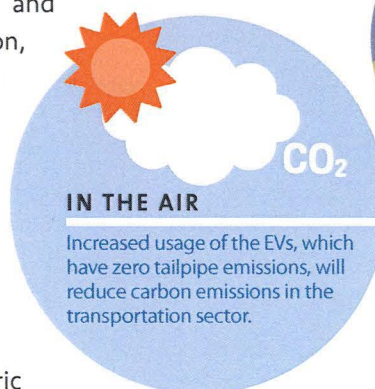
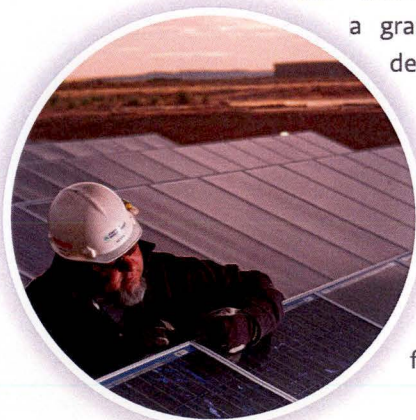
The program involves deploying direct-current, fast-charging stations at participating businesses or organizations throughout the Mid-Columbia region. Compared to a normal home re-charge, which can take eight to 20 hours to fully re-charge, the stations will re-charge an electric vehicle in about 30 minutes. If EVITA fulfills its promise, the program will open up a new gateway of carbon-free travel across the state.

### Solar Development

Energy Services & Development met several milestones in the potential development of the Horn Rapids Solar, Storage and Training Center, a first-of-its-kind battery storage system and technician training facility. The project, located in north Richland, will comprise a four-megawatt direct-current solar generating array across 20 acres, a one-MW battery storage system and a training facility for members of the International Brotherhood of Electrical Workers.

During 2016 EN began the BPA small generator interconnect application process, and the Washington State Clean Energy Fund awarded a grant to assist with project development.

Energy Northwest is in discussions with the City of Richland Energy Services on a long-term agreement for the city to purchase power generated from the facility.



Should this project continue forward, construction is expected to begin next summer with commercial operation starting in late 2017.

### Operations and Maintenance

Energy Northwest supports public power in the areas of operations and maintenance of generating facilities and electric utility automation.

During fiscal 2016, operations and maintenance services renewed a contract with the City of Burbank, Calif., to operate and maintain the Tieton Hydroelectric Project at Rimrock Lake in the Cascades.

EN also provides operations and maintenance services to Olympic View Generating Station, owned by Mason County PUD 3.

### Applied Process Engineering Laboratory

EN manages the Applied Process Engineering Laboratory as a lease facility for laboratory-based research and development within a controlled operating environment. Approximately 90 percent of the leasable space was occupied during fiscal 2016, with 10 percent available for business start-ups or as specialized testing labs for emerging technologies.

APEL's advisory board represents the major institutions that sponsor APEL and its mission;





including the Port of Benton, Department of Energy, Washington State University Tri-Cities, Pacific Northwest National Laboratory, City of Richland Energy Services, Tri-Cities Industrial Development Council and EN. APEL is self-funded through lease revenues.

#### **Energy Northwest Standards Laboratory**

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

ENSL is accredited to International Standard ANSI/ISO/IEC 17025 by the American Association for Laboratory Accreditation. The laboratory is accredited through January 2017.

Major laboratory clientele includes Columbia Generating Station, Bechtel, Washington Closure Hanford, Washington River Protection Solutions, CH2M Hill, Pacific Northwest National Laboratory,

AREVA, Columbia Energy & Environmental, High-Line Engineering, Intermech, Energy Solutions and Mid-Columbia Engineering.

#### **Environmental & Analytical Services Laboratory**

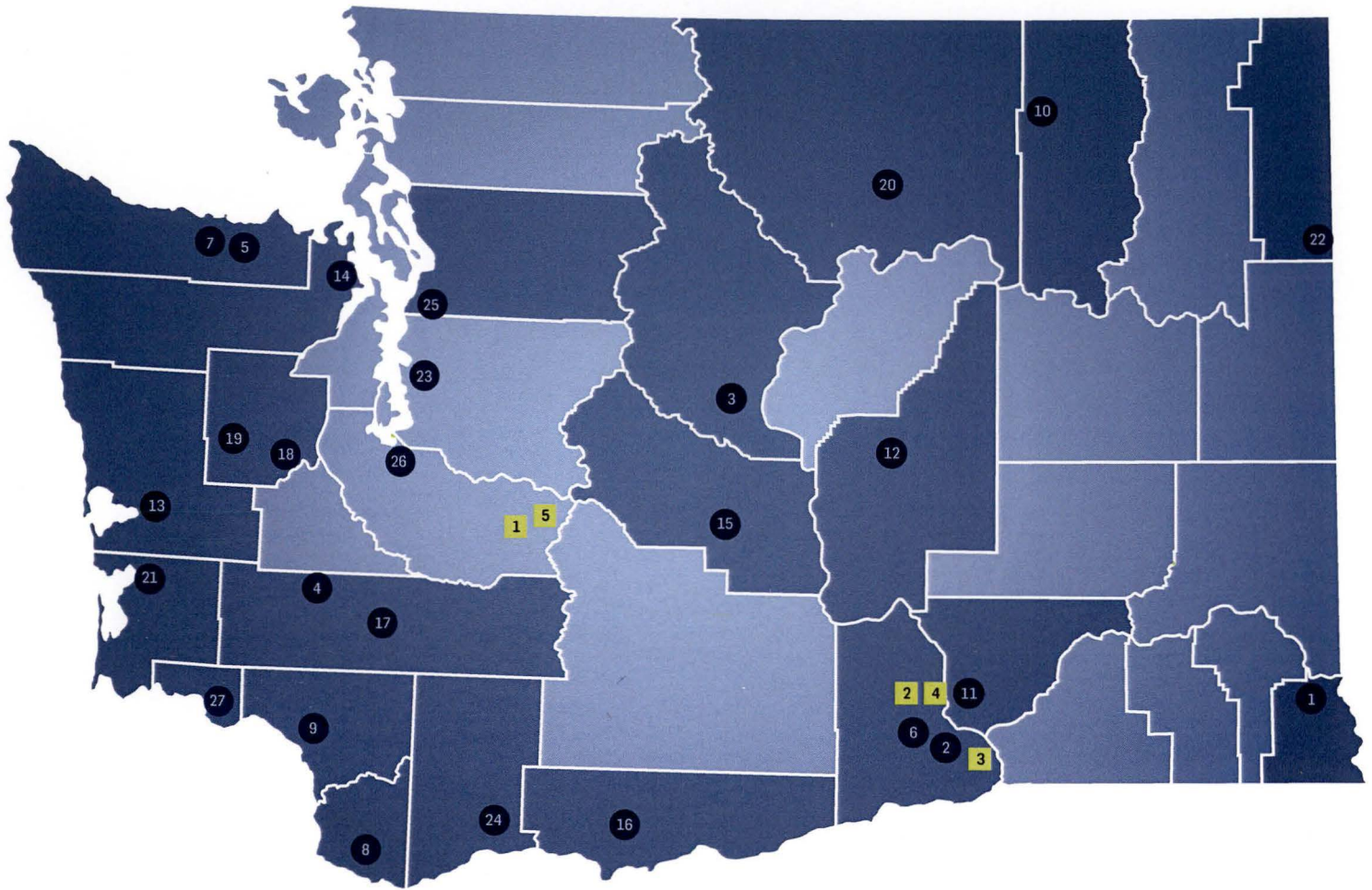
Energy Northwest's Environmental and Analytical Services Laboratory provides chemical analysis and environmental monitoring expertise for utility, municipal and residential customers. The laboratory continues to maintain accreditation for wastewater, drinking water and radiochemical analyses; and licensure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

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

#### **Industrial Development Complex**

The Industrial Development Complex is a leasing business line for EN, primarily comprised of office and warehouse space.





## OUR MEMBERS & PROJECTS

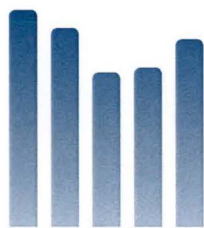
- 1 Asotin County Public Utility District
- 2 Benton PUD
- 3 Chelan County PUD
- 4 Centralia City Light
- 5 City of Port Angeles
- 6 City of Richland Energy Services
- 7 Clallam County PUD
- 8 Clark Public Utilities
- 9 Cowlitz County PUD 1
- 10 Ferry County PUD
- 11 Franklin County PUD

- 12 Grant County PUD 2
- 13 Grays Harbor County PUD 1
- 14 Jefferson County PUD
- 15 Kittitas County PUD
- 16 Klickitat County PUD
- 17 Lewis County PUD
- 18 Mason County PUD 1
- 19 Mason County PUD 3
- 20 Okanogan County PUD
- 21 Pacific County PUD 2
- 22 Pend Oreille County PUD

- 23 Seattle City Light
- 24 Skamania County PUD
- 25 Snohomish County PUD
- 26 Tacoma Public Utilities
- 27 Wahkiakum County PUD

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





## FINANCIAL DATA & INFORMATION

## MANAGEMENT REPORT ON RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

Energy Northwest maintains an ongoing internal auditing program that provides for independent assessment of the effectiveness of internal controls, and for recommendations of possible improvements thereto. In addition, Baker Tilly Virchow Krause, LLP has considered the internal control structure in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements. Management has considered recommendations made by the internal auditor and Baker Tilly Virchow Krause, LLP concerning the control procedures and has taken appropriate action to respond to the recommendations. Management believes that, as of June 30, 2016, internal control procedures are adequate.

**M.E. Reddemann**

Chief Executive Officer

**B. Ridge**

Vice President for Corporate Services; Chief Financial and Risk Officer

## AUDIT, LEGAL AND FINANCE COMMITTEE CHAIR'S LETTER

The executive board's Audit, Legal and Finance Committee (committee) is composed of 11 independent directors. Members of the committee are Chair Kathy Vaughn, Marc Daudon, Linda Gott, Jack Janda, Jim Moss, Skip Orser, Will Purser, Dave Remington, Lori Sanders, Tim Sheldon, and Sid Morrison, ex-officio. The committee held 9 meetings during the fiscal year ended June 30, 2016.

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

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

**Kathleen R. Vaughn**

Chair,

Audit, Legal and Finance Committee



# INDEPENDENT AUDITOR'S REPORT

To the Executive Board of Energy Northwest:

## Report on the Financial Statements

We have audited the accompanying financial statements of Energy Northwest, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Energy Northwest's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Energy Northwest as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The other information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on it.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
September 22, 2016



## ENERGY NORTHWEST MANAGEMENT'S DISCUSSION AND ANALYSIS

Energy Northwest is a municipal corporation and joint operating agency of the state of Washington. Each Energy Northwest business unit is financed and accounted for separately from all other current or future business assets. The following discussion and analysis is organized by business unit. The management discussion and analysis of the financial performance and activity is provided as an introduction and to aid in comparing the basic financial statements for the fiscal year (FY) ended June 30, 2016, with the basic financial statements for the FY ended June 30, 2015.

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

Because each business unit is financed and accounted for separately, the following section on financial performance is discussed by business unit to aid in analysis of assessing the financial position of each individual business unit. For comparative purposes only, the table on the following page represents a memorandum total only for Energy Northwest, as a whole, for FY 2016 and FY 2015.

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

The Statements of Net Position present the financial position of each business unit on an accrual basis. The Statements of Net Position report financial information about construction work in progress, the amount of

resources and obligations, restricted accounts and due to/from balances for each business unit. (See Note 1 to the Financial Statements.)

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

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

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

The basic Financial Statements of each business unit along with the Notes to the Financial Statements and Management Discussion and Analysis should be used to provide an overview of Energy Northwest's financial performance. The following discussion provides comparative financial information for the years ended June 30, 2016 and 2015. Questions concerning any of the information provided in this report should be addressed to Energy Northwest at PO Box 968, Richland, WA, 99352.

# COMBINED FINANCIAL INFORMATION

June 30, 2016 and 2015 (Dollars in thousands)

		2015		2016	Change
<b>Assets</b>					
Current Assets	\$	233,276	\$	424,206	\$ 190,930
Restricted Assets					
Special Funds		318,116		220,562	(97,554)
Debt Service Funds		352,643		166,234	(186,409)
Net Plant		1,562,376		1,600,045	37,669
Nuclear Fuel		976,327		893,486	(82,841)
Long-Term Receivables		59		7	(52)
Other Charges		3,187,338		3,188,539	1,201
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>6,630,135</b>	<b>\$</b>	<b>6,493,079</b>	<b>\$ (137,056)</b>
DEFERRED OUTFLOWS OF RESOURCES*	\$	38,845	\$	44,002	\$ 5,157
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$</b>	<b>6,668,980</b>	<b>\$</b>	<b>6,537,081</b>	<b>\$ (131,899)</b>
Current Liabilities	\$	517,195	\$	323,919	\$ (193,276)
Restricted Liabilities					
Special Funds		158,818		178	(158,640)
Debt Service Funds		119,479		127,030	7,551
Long-Term Debt		5,731,753		5,788,165	56,412
Other Long-Term Liabilities		105,843		281,448	175,605
Other Credits		5,850		5,911	61
Net Position					
Invested in capital assets, net of related debt		(44,813)		(41,342)	3,471
Restricted, net		43,685		42,825	(860)
Unrestricted, net		(14,301)		(12,554)	1,747
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$</b>	<b>6,623,509</b>	<b>\$</b>	<b>6,515,580</b>	<b>\$ (107,929)</b>
DEFERRED INFLOWS OF RESOURCES*	\$	45,471	\$	21,501	\$ (23,970)
<b>TOTAL LIABILITIES, NET POSITION AND DEFERRED INFLOWS</b>	<b>\$</b>	<b>6,668,980</b>	<b>\$</b>	<b>6,537,081</b>	<b>\$ (131,899)</b>
Operating Revenues	\$	542,257	\$	463,033	\$ (79,224)
Operating Expenses		421,622		351,837	(69,785)
Net Operating Revenues		120,635		111,196	(9,439)
Other Income and Expenses		(118,467)		(106,838)	11,629
Beginning Net Assets*		(17,597)		(15,429)	2,168
<b>ENDING NET POSITION</b>	<b>\$</b>	<b>(15,429)</b>	<b>\$</b>	<b>(11,071)</b>	<b>\$ 4,358</b>

\* Energy Northwest 2015 Statement of Net Position and Statements of Revenues and Expenses and Changes in Net Position were retroactively updated for the application of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions."



## COLUMBIA GENERATING STATION

Columbia Generating Station (Columbia) is wholly owned by Energy Northwest and its participants and operated by Energy Northwest. The plant is a 1,157-megawatt electric (MWe, Design Electric Rating, net) boiling water nuclear power plant located on the Department of Energy's (DOE) Hanford Site north of Richland, Washington.

Columbia produced 9,617 gigawatt-hours (GWh) of electricity in FY 2016, as compared to 8,142 GWh of electricity in FY 2015, there were no instances of economic dispatch for either year. The FY 2016 generation increase of 18.1 percent was due to consistent and reliable operations slightly above budgeted estimates (.3% higher generation and second highest FY generation on record), additional MWe gained as a result of the Leading Edge Flow Meter Project and valve work completed in the FY 2015 refueling outage (R-22), coupled with the FY 2015 reduced generation due to the 42 day R-22 outage in FY 2015 and first quarter FY 2015 down power.

Columbia's cost performance is measured by the cost of power indicator. The cost of power for FY 2016 was 3.65 cents per kilowatt-hour (kWh) as compared with 5.05 cents per kWh in FY 2015. The industry cost of power fluctuates year to year depending on various factors such as refueling outages and other planned activities. The FY 2016 cost of power decrease of 27.7 percent was due to the increased generation levels budgeted for and attained in FY 2016 along with the planned outage and impacts from the FY 2015 R-22 activity and FY 2015 first quarter down power on previous year generation and costs.

### Assets, Liabilities, and Net Position Analysis

The net increase to Utility Plant (plant) and Construction Work In Progress (CWIP) from FY 2015 to FY 2016 (excluding nuclear fuel) was \$45.2 million. The changes to plant and CWIP were comprised of additions to plant of \$101.2 million and an increase to CWIP of \$17.8 million. Remaining change was the period effect of depreciation of \$73.8 million.

The FY 2016 CWIP balance of \$76.0 million consisted of 15 major

projects of at least \$1.0 million: Fukushima Impacts, Cyber Security, Stack Monitor Upgrade, Cobalt Reduction Program, Scram Discharge Volume Instrumentation Modification, Independent Spent Fuel Storage Installation Pad Expansion, Control Rod Drive Repair/Refurbishment, Main Turbine Valve, Measurement Uncertainty Recapture, Operational Control Area Security Cameras, Direct Current Bucket Replacement, High Pressure Core Spray Voltage Regulator, and Main Control Room Chillers. These projects resulted in 79 percent of the CWIP activity. The remaining 21 percent was made up of 80 separate projects.

Current assets increased \$142.8 million in FY 2016 to \$340.5 million. Changes were increases to receivables of \$144.4 million mostly due to an increase in the amount of BPA draw for participant net billing, decreases to cash and investments of \$13.8 million, and increases to materials and supplies and prepaid amounts of \$12.2 million.

Special funds decreased \$110.0 million to \$173.8 million in FY 2016 due to the FY 2016 bond activity and schedule of construction costs for these funds in FY 2016.

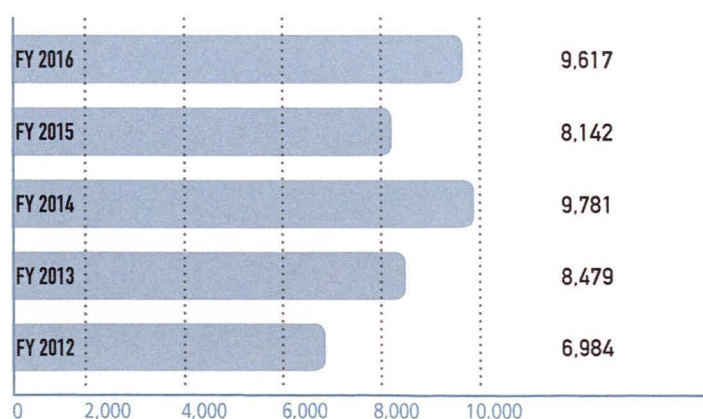
The debt service funds decreased \$106.1 million in FY 2016 to \$76.3 million. The decrease is due to the restructuring and funding activities for the regional cooperation debt program associated with the 2016 bond activities.

Other charges increased \$64.4 million in FY 2016 from \$1,053.3 million to \$1,117.7 million. The increase was Costs in Excess of Billings related to the net effect of payment of current maturities and refunding activity associated with the regional cooperation debt program.

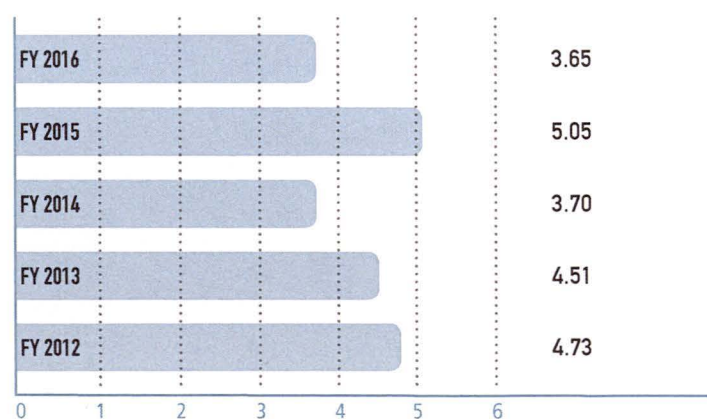
Deferred outflows increased \$6.5 million in FY 2016 from \$33.4 million to \$39.9 million. The major change was an increase of \$8.3 million due to the recognition of a deferred pension outflow in accordance with GASB No. 68 and a decrease of \$1.9 million to unamortized loss on refunding was associated with the 2016 bond activity.

Current liabilities decreased \$70.4 million in FY 2016 to \$214.8 million. Components of the change were decreases to current maturities of debt of \$110.6 million, addition of notes payable promissory note for refunding

COLUMBIA GENERATING STATION  
Net Generation - GWhrs



COLUMBIA GENERATING STATION  
Cost of Power - Cents/kWh





of \$61.4 million, decrease to taxes payable of \$5.2 million due to non-refueling year and not having the effect of fuel assemblies being moved into Washington State, increase in generation tax of \$0.9 million due to increased generation in the non refueling year, decrease in retention payable of \$1.3 million due to closure of public work contracts, increases due to timing of year end obligations and due to other projects of \$0.4 million, increase and timing of due to participants that resulted in an decrease of \$15.4 million.

Restricted liabilities increased \$5.0 million in FY 2016 to \$72.8 million. The increase was due to interest related to bond activity of \$5.0 million.

Long-term debt (Bonds Payable) increased \$24.6 million in FY 2016 from \$3,575.4 million to \$3,600.0 million due to the restructuring and funding activities for the regional cooperation debt program associated with the 2016 bond activities.

Other long-term liabilities increased \$22.7 million in FY 2016 to \$264.8 million. The increase was due to an increase in the pension liability in accordance with GASB No. 68 of \$28.0 million and an increase in the decommissioning liability of \$7.4 million to reflect the annual updated estimate of the obligation that was partially offset by the decrease in deferred nuclear fuel cask activity of \$12.7 million. Costs associated with cask activity are no longer being recorded as a long term liability as all costs have been deemed to be reimbursable under the agreement with DOE and reimbursements, per each approved submittal, will be offset against costs incurred. (See Note 11 to the Financial Statements - Commitments and Contingencies - Other Litigation and Commitments.)

Deferred inflows decreased \$21.9 million from \$40.9 million in FY 2015 to \$19.0 million in FY 2016. A decrease of \$21.2 million was recognized to deferred pension inflow in accordance with GASB No. 68. A decrease to bond refunding inflows of \$0.6 million was due to the restructuring and funding activities for the regional cooperation debt program associated with the 2016 bond activities.

### Revenue and Expenses Analysis

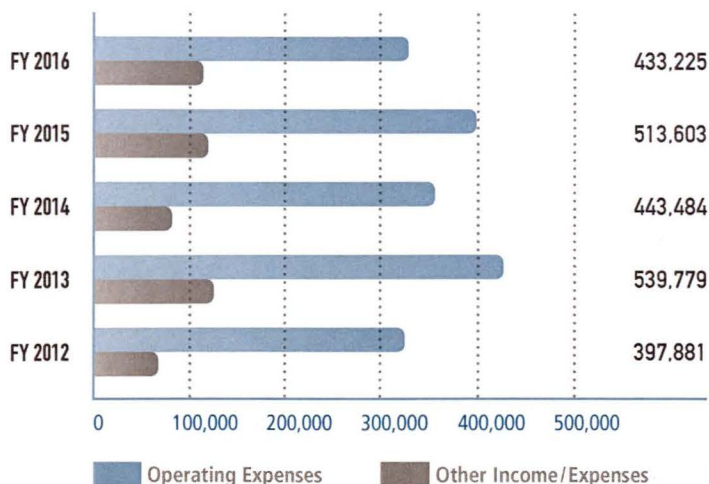
Columbia is a net-billed project. Energy Northwest recognizes revenues equal to expenses for each period on net-billed projects. No net revenue or loss is recognized and no net position is accumulated.

Operating expenses decreased \$69.7 million from FY 2015 costs of \$397.9 million to \$328.2 million in FY 2016. The decreases in costs were due to FY 2016 being a non refueling year while FY 2015 was a planned refueling year and were generally in the operations and maintenance areas amounting to \$71.3 million. The decrease in operations and maintenance costs were offset by increases in nuclear fuel costs of \$11.0 million and \$1.2 million in generation tax; both increases due to increased generation in FY 2016. Increases of \$1.1 million in administrative and generals costs were a result of pension expense requirements related to GASB No. 68; other administrative and general costs remained relatively steady from the previous year. Other changes affecting operating expenses were a decrease to depreciation of \$12.1 million due to assets becoming fully depreciated during the year with a slight increase of \$0.5 million in decommissioning as part of the asset retirement obligation estimate. (See Note 9 to the Financial Statements - Asset Retirement Obligation (ARO).)

Other Income and Expenses increased \$10.6 million from FY 2015 to \$105.1 million net expenses in FY 2016. One component of the change was the FY 2016 \$ 4.5 million gain on spent fuel litigation settlement from the DOE. The previous year settlement amount of \$15.1 million had been recorded as a reduction to fuel expense to represent the true cost of the fuel cask program. The cask costs were never an intended cost for the facility and only resulted from a failure to perform from the Department of Energy. (See Note 11 to the Financial Statements - Commitments and Contingencies - Other Litigation and Commitments.) Fuel disposal is no longer being recognized as part of the DOE settlement for this reason; any future recoveries from the DOE will be recorded similar to the FY 2016 transaction. Another component of the change was a gain on the second scheduled separative work unit sale related to the Tennessee Valley Authority fuel contract (See Note 12 to the Financial Statements - Nuclear Fuel). The FY 2016 gain on SWU sale was \$8.7 million, an increase of \$4.8 million over the FY 2015 SWU sale gain. The remaining changes of \$1.3 million was due to decreased bond related expenses of \$2.3 million, increase in investment income of \$0.7 million, and a small decrease in miscellaneous non-utility leasing revenue of \$0.3 million.

Columbia's total operating revenue decreased from \$513.6 million in FY 2015 to \$433.2 million in FY 2016. The decrease of \$80.4 million was due to the off cycle year of the two year refueling and maintenance program and the related effect of the net billing agreement on total revenue. (See Note 5 to the Financial Statements - Net Billing.)

**COLUMBIA GENERATING STATION**  
Total Operating Costs (Dollars in thousands)





## PACKWOOD LAKE HYDROELECTRIC PROJECT

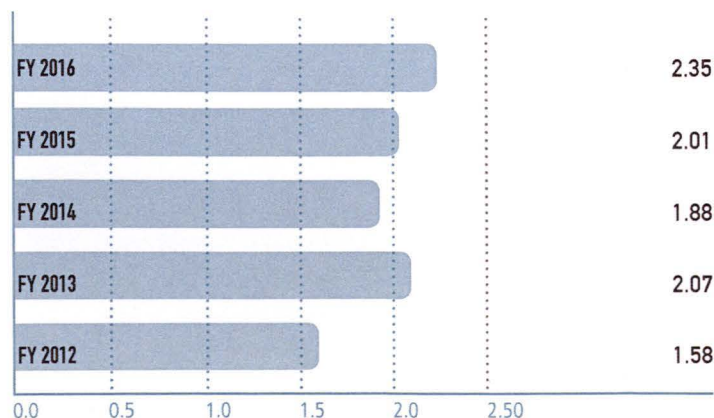
The Packwood Lake Hydroelectric Project (Packwood) is wholly owned and operated by Energy Northwest. Packwood consists of a diversion structure at Packwood Lake and a powerhouse located near the town of Packwood, Washington. The water is carried from the lake to the powerhouse through a five-mile long buried tunnel and drops nearly 1,800 feet in elevation. Packwood produced 98.89 GWh of electricity in FY 2016 versus 107.16 GWh in FY 2015. The 7.7 percent decrease in generation can be attributed to continuing unfavorable water conditions over the past two years with FY 2016 delivering the 20th best generation year compared to FY 2015 which ranked 14th. There continues to be some relief in generation capacity due to the delay in new license requirements (See Note 1 to the Financial Statements) which will eventually lower the generating capacity for Packwood.

Packwood's cost performance is measured by the cost of power indicator. The cost of power for FY 2016 was \$2.35 cents per kWh as compared to \$2.01 cents per kWh in FY 2015. The cost of power fluctuates year-to-year depending on various factors such as outage, maintenance, generation, and other operating costs. The FY 2016 cost of power increase of 16.9 percent was a result of decreased generation due to water conditions combined with increased costs of \$0.2 million for the Generator disassembly cleaning and repair project completed in October.

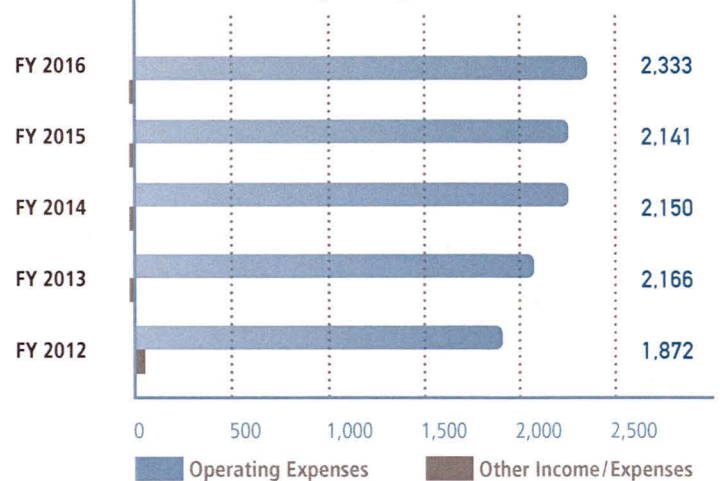
### Assets, Liabilities, and Net Position Analysis

Total assets and deferred outflows increased \$181 thousand from FY 2015. The small increase was due to a \$123 thousand increase to cash and investments and net utility plant increases of \$39 thousand. Deferred pension outflows increased \$21 thousand. There was an overall increase to liabilities, net position and deferred inflows of \$0.2 million. The increase to total liabilities of \$243 thousand comprised an increase of \$170 thousand in net pension liability, increases of \$73 thousand to billings in excess of cost and \$93 thousand to due to participants, and decreases of \$93 thousand to accrued year end costs and \$62 thousand to deferred pension inflow as a result of recognition of pension liability in accordance with GASB No. 68. Packwood has incurred \$3.7 million in relicensing costs through FY 2016 with no new costs incurred for FY 2016. These costs are shown as Other Charges

### THE PACKWOOD LAKE HYDROELECTRIC PROJECT Cost of Power - Cents/kWh



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

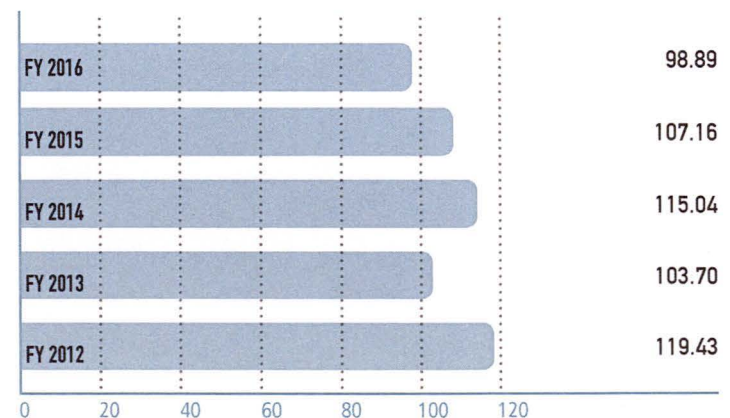


on the Statement of Net Position. Packwood has been operating under a 50-year license issued by Federal Energy Regulatory Commission (FERC), which expired on February 28, 2010. Energy Northwest submitted the Final License Application (FLA) for renewal of the operating license to FERC on February 22, 2008. On March 4, 2010, FERC issued a one-year extension to operate under the original license which is indefinitely extended for continued operations until a formal decision is issued by FERC and a new operating license is granted. As of June 30, 2016, Packwood continues to be relicensed under this extended agreement.

### Revenue and Expenses Analysis

The agreement with Packwood participants obligates them to pay annual costs and to receive excess revenues. (See Note 1 to the Financial Statements.) Accordingly, Energy Northwest recognizes revenues equal to expenses for each period. No net revenue or loss is recognized and no net position is accumulated. Operating expenses increased \$0.2 million from \$2.1 million in FY 2015 to \$2.3 million in FY 2016 due to the generator disassembly cleaning repair project. Other expense items remained relatively constant from the previous year.

### THE PACKWOOD LAKE HYDROELECTRIC PROJECT Net Generation - GWhrs





Other Income and Expense remained relatively steady from previous year with an increase of \$2 thousand from investment returns and a decrease of \$1 thousand gain on property disposed resulting in an overall net gain of \$5 thousand for FY 2016 compared to \$4 thousand for FY 2015.

Packwood participants are obligated to pay annual costs of the project (including any applicable debt service), whether or not the project is operable. The Packwood participants also share project revenue to the extent that the amounts exceed costs. These funds can be returned to the participants or kept within the project. As of June 30, 2016 there is \$5.9 million recorded as deferred revenues in excess of costs that are being kept within the project. Packwood participants are currently taking 100 percent of the project generation; there are no additional agreements for power sales.

## NUCLEAR PROJECT NO. 1

Energy Northwest wholly owns Nuclear Project No. 1, a 1,250-MWe plant, which was placed in extended construction delay status in 1982, when it was 65 percent complete. On May 13, 1994, Energy Northwest's Board of Directors adopted a resolution terminating Nuclear Project No. 1. All funding requirements are net-billed obligations of Nuclear Project No. 1. Termination expenses and debt service costs comprise the activity of Nuclear Project No. 1 and are net-billed. (See Notes 5 and 11 to the Financial Statements.)

### Assets, Liabilities, and Net Position Analysis

Total Assets and deferred outflows decreased \$50.3 million from \$1.057 billion in FY 2015 to 1.007 billion in FY 2016. Restricted cash decreased \$48.0 million in FY 2016 to \$32.2 million. Current assets increased \$23.0 million due to increased BPA draw on participant net billing, costs in excess of billing decreased \$24.7 million and unamortized losses on bond refunding decreased \$0.6 million.

Long-term debt increased \$1.1 million from \$840.7 million in FY 2015 to \$841.8 million in FY 2016 as a result of \$0.3 million being transferred to current debt to be paid on July 1, 2016 along with an increase related to additional premiums on new debt issued during the year of \$37.5 million; the remaining changes were due to the debt associated with the planned and approved regional cooperative debt program. Short term debt decreased \$53.4 million per the debt maturity schedule and current notes payable decreased \$28.9 million as a result of the regional cooperative debt program. There was a decrease to restricted liabilities and other long term liabilities of \$5.7 million, represented by a decrease to the decommissioning estimate of \$7.0 million, an increase to interest payable of \$1.0 million and an increase to the net pension liability of \$0.3 million, in accordance with GASB No. 68

### Revenue and Expenses Analysis

Other Income and Expenses showed a net decrease to expenses of \$7.4 million from \$35.0 million in FY 2015 to \$27.6 million in FY 2016. Main driver for the change in expenses was an adjustment to the site restoration plan resulting in a decrease to the decommissioning and amortization expense of \$7.1 million. The remaining change was a decrease to depreciation and amortization of \$0.3 million and decreases to interest expense, amortization and plant preservation/termination costs of \$0.1 million.

## NUCLEAR PROJECT NO. 3

Nuclear Project No. 3, a 1,240-MWe plant, was placed in extended construction delay status in 1983, when it was 75 percent complete. On May 13, 1994, Energy Northwest's Board of Directors adopted a resolution terminating Nuclear Project No. 3. Energy Northwest is no longer responsible for any site restoration costs as they were transferred with the assets to the Satsop Redevelopment Project. The debt service related activities remain the responsibility of Energy Northwest and are net-billed. (See Notes 5 and 11 to the Financial Statements.)

### Assets, Liabilities, and Net Position Analysis

Long-term debt decreased \$38.9 million from \$1,081.0 million in FY 2015 to \$1,042.1 million in FY 2016, as a result of \$18.1 million being transferred to current debt to be paid on July 1, 2016 along with an increase related to additional premiums on new debt issued during the year of \$41.1 million; and the remaining changes were due to the debt associated with the planned and approved regional cooperative debt program. Current debt per the debt maturity schedule decreased \$29.8 million from \$47.8 million in FY 2015 to \$18.0 million in FY 2016. The remaining changes in liabilities of \$5.5 million were due to a decrease in notes payable related to bond financing of \$6.6 million, an increase in accrued interest payable of \$1.7 million and a decrease to deferred Inflows of \$0.6 million due to unamortized gain on bond refundings.

### Revenue and Expenses Analysis

Overall expenses and revenues decreased slightly in FY 2016 due to increased investment returns of \$65 thousand and lower interest expense and amortization of \$20 thousand. The slight drop in expenses combined with better investment returns lowered other income and expenses by \$0.1 million in FY 2016 to \$41.9 million.



## BUSINESS DEVELOPMENT FUND

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

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

### Assets, Liabilities, and Net Position Analysis

Total assets and deferred outflows increased \$0.3 million from \$10.7 million in FY 2015 to \$11.0 million in FY 2016. There were small increases to net utility plant of \$0.1 million offset by decreases to current assets of the same amount. The major change in assets was \$0.3 million due to the recognition of a deferred pension outflow in accordance with GASB No. 68. There was an overall increase to liabilities, net position and deferred inflows of \$0.3 million. Current liabilities decreased \$0.5 million from FY 2016 due to timing of year end outstanding items, with an increase to net pension liability of \$0.7 million and decrease to deferred inflows of \$0.7 million to account for the net pension liability in accordance with GASB No. 68. The change in net position of \$0.8 million from operations in FY 2016 as compared to a \$0.4 million in FY 2015 reflects the improved margins resulting from the business sectors and overall control of costs.

### Revenue and Expenses Analysis

Operating Revenues in FY 2016 totaled \$8.1 million as compared to FY 2015 revenues of \$7.2 million, an increase of \$0.9 million (12.6 percent). Several continuing and one new project were the drivers for the FY 2016 increase. Support of the Enloe Dam Powerhouse is a new initiative that is currently under an operations and maintenance agreement with Okanogan PUD. Activities associated with Enloe Dam in FY 2016 generated \$0.1 million. Established projects continue to provide revenue to the Business Development Fund; Environmental and Calibration services (\$0.3 million increase), Demand Response (\$0.4 million increase), Utah Associated Municipal Power Systems (UAMPS) Carbon Free Power (\$0.1 million increase), and the Tieton Hydroelectric Project (\$0.3 million increase). Lease activity for the year showed a \$0.1 million decrease in revenue. Overall operations for FY 2016 by business line resulted in Business Services increase in revenue of \$0.3 million, Facilities and Leasing with a decrease of \$0.1 million, Generation having an increase of \$0.7 million and Professional Services with an increase of \$0.1 million. Overall Business Support showed a decrease of \$0.1 million in allocable revenues for a total increase of \$0.9 million for the Business Development Fund.

Operating costs increased \$0.3 million from \$8.3 million in FY 2015 to \$8.6 in million in FY 2016. Expenses for each Business Line remained relatively steady, with the modest increase driven by additional business support labor and compensation.

Other Income and Expenses decreased \$0.2 million in FY 2016 to \$1.2 million, with the change attributable to less indirect costs. There were no other significant individual item variances.

The Business Development Fund receives contributions from the Internal Service Fund to cover cash needs during startup periods. Initial startup costs are not expected to be paid back and are shown as contributions. As an operating business unit, requests can be made to fund incurred operating expenses. In FY 2016 there were no contributions (transfers), which was also the case for FY 2015.



## NINE CANYON WIND PROJECT

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

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

Nine Canyon produced 244.62 GWh of electricity in FY 2016 versus 196.75 GWh in FY 2015. The increase of 24.3 percent was a result of the third highest year on record for generation in FY 2016 as compared to the ninth highest for FY 2015. Capacity factor for FY 2016 was 29.87 percent as compared to 24.00 percent for FY 2015.

Nine Canyon's cost performance is measured by the cost of power indicator. The cost of power for FY 2016 was \$6.07 cents per kWh as compared to \$8.31 cents per kWh in FY 2015. The cost of power fluctuates year to year depending on various factors such as wind totals and unplanned maintenance and is distinctly different than revenue billed cost of power discussed below in revenue and expense analysis. The decrease of 27.0 percent in cost of power for FY 2016 was directly attributable to more favorable wind conditions along with

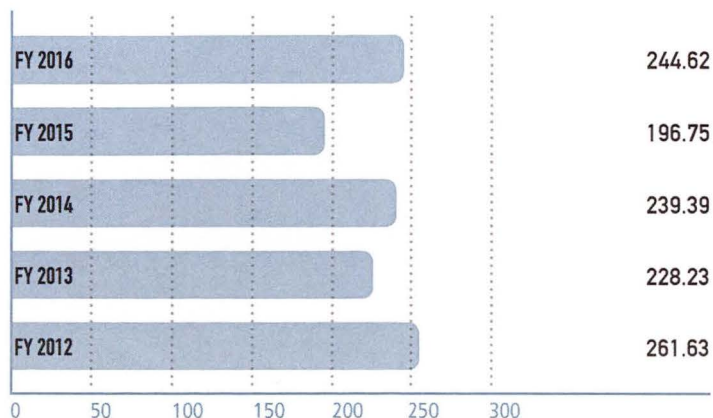
significantly lower operating costs (insurance, labor and major maintenance). Operating expenses decreased from \$13.3 million in FY 2015 to \$12.7 million in FY 2016. These cost control measures along with the \$0.9 million in decreased treasury related expenses in FY 2016 (a result of the 2015 refinancing) helped drive the second best historical cost of power on a fiscal year basis.

### Assets, Liabilities, and Net Position Analysis

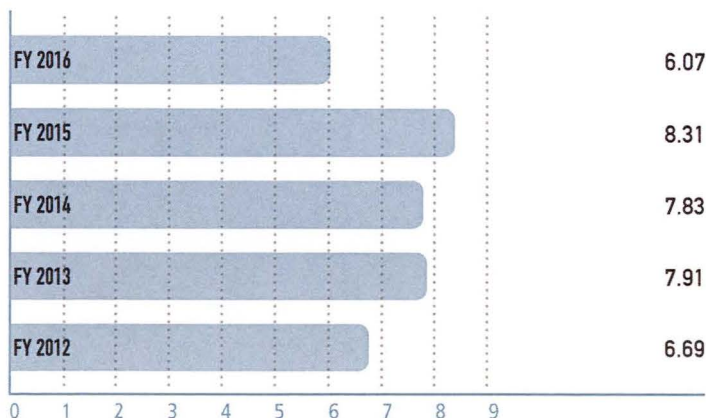
Total assets and deferred outflows decreased \$5.5 million from \$100.9 million in FY 2015 to \$95.4 million in FY 2016. The major driver for the change in assets was a decrease of \$6.6 million in net plant due to accumulated depreciation. The remaining changes consisted of increases to current cash and investments of \$1.2 million, increases to special and debt service funds of \$0.3 million, decrease of \$0.2 million in account receivables, a decrease to deferred outflows for unamortized debt expense of \$0.3 million and an increase to deferred pension outflows of \$0.1 million. There was an overall decrease to liabilities, net position and deferred inflows of \$5.5 million. Changes were a decrease to long term debt (including unamortized bond discount/premium) of \$9.1 million, increases to current debt maturities of \$0.3 million, increases to long term liabilities of \$0.2 million for pension liability and decommissioning estimates, decreases to deferred inflows of \$0.3 million for pensions and \$0.1 million for unamortized gain on bond refunding. The change in net position of \$3.5 million from operations in FY 2016 as compared to an increase of \$1.9 million in FY 2015 reflects the steady operations and treasury savings due to the 2015 refinancing.

In previous years Energy Northwest has accrued, as income (contribution) from the Department of Energy, Renewable Energy Production Incentive (REPI) payments that enable Nine Canyon to receive funds based on generation as it applies to the REPI legislation. REPI was created to promote increases in the generation and utilization of electricity from renewable energy sources and to further the advances of renewable energy technologies. This program, authorized under Section 1212 of the Energy Policy Act of 1992, provides financial incentive payments for electricity produced and sold by new qualifying renewable energy generation facilities. The payment stream from Nine Canyon

**NINE CANYON WIND PROJECT**  
Net Generation - GWhrs



**NINE CANYON WIND PROJECT**  
Cost of Power - Cents/kWh

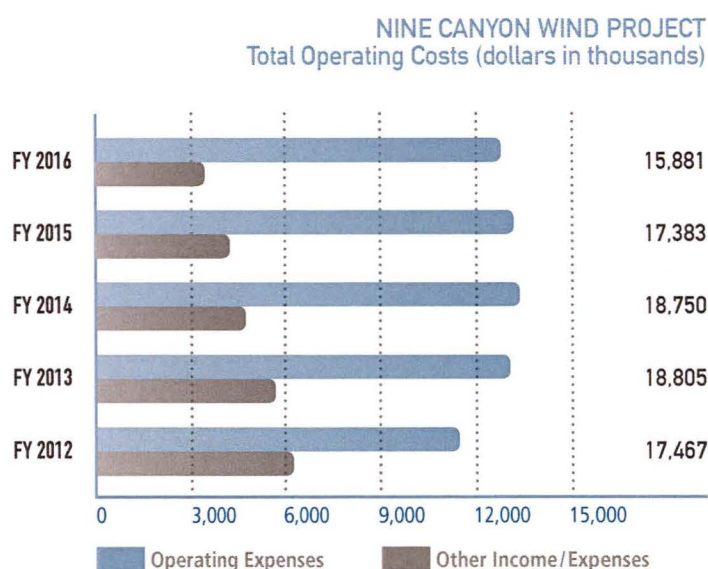




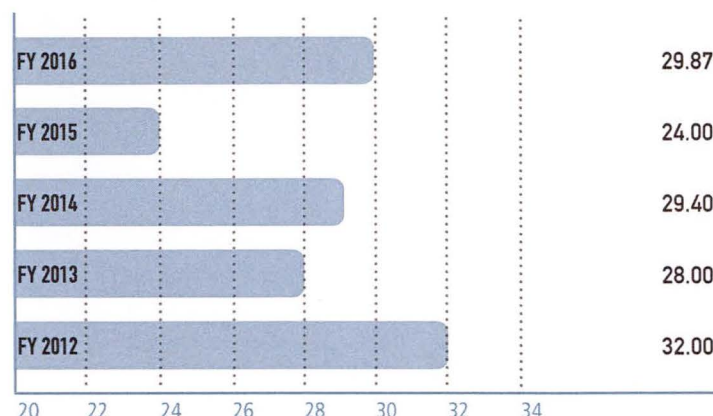
participants and the REPI receipts was projected to cover the total costs over the purchase agreement. Continued shortfalls in REPI funding for the Nine Canyon project led to a revised rate plan to incorporate the impact of this shortfall over the life of the project. The billing rates for the Nine Canyon participants increased 69 percent and 80 percent for Phase I and Phase II participants respectively in FY 2008 in order to cover total project costs, projected out to the 2030 proposed project end date. The increases for FY 2008 were a change from the previous plan where a 3 percent increase each year over the life of the project was projected. Going forward, the increase or decrease in rates will be based on cash requirements of debt repayment and the cost of operations. Phase III started with an initial planning rate of \$49.82 per MWh which increased at 3 percent per year for three years. In year six (FY 2013) the rate increased to a rate that is expected to be stabilized over the life of the project. Possible adjustments may be necessary to future rates depending on operating costs and REPI funding, similar to Phase I and II.

### Revenues and Expenses Analysis

Operating revenues remained relatively steady from FY 2015 levels, increasing \$52 thousand. The project received \$18.27 million from the billing of the purchasers at an average rate of \$74.70 per MWh for FY 2016 as compared



### NINE CANYON WIND PROJECT Capacity Factor (%)



to \$92.87 per MWh for FY 2015. Billings for FY 2015 were at the same levels of FY16 but the average rate was impacted by less favorable generation in FY 2015. BPA scheduling charges remained relatively steady for both years at \$1.06 million. The stabilization of revenue is reflective of the implementation of the revised rate plan in FY 2014/2015 to account for costs of operations over the remaining life of the project, taking into account the REPI shortfalls in the early years of the project. Operating costs decreased \$0.6 million in FY 2016 from \$13.3 million in FY 2015 to \$12.7 million in FY 2016. Decreased operating costs in FY 2016 were due to lower turbine maintenance and major component rebuild/gear boxes of \$0.7 million offset by slightly higher labor and administrative non labor costs of \$0.1 million.

Other income and expenses decreased \$0.9 million from \$4.1 million in net expenses FY 2015 to \$3.2 million in FY 2016. Decreased interest costs of \$0.8 million, decreases in amortized bond expenses of \$0.4 million and increased interest revenue of \$0.1 million accounted for the change. Net income or change in net position of \$3.5 million for FY 2016 was a direct result of the planned rate structure with projected treasury savings due to refunding and lower than budgeted operating costs.

The original plan anticipated operating at a loss in the early years and gradually increasing the rate charged to the purchasers to avoid a large rate increase after the REPI expires. The REPI incentive expires 10 years from the initial operation startup date for each phase. Reserves that were established are used to facilitate this plan. The rate plan in FY 2008 was revised to account for the shortfall experienced in the REPI funding and to provide a new rate scenario out to the 2030 project end date. Energy Northwest did not receive REPI funding in FY 2016 and is not anticipating receiving any future REPI incentives. The results from FY 2016 reflect the revised rate plan scenario and gradual increase in the return of total net position

## INTERNAL SERVICE FUND

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

### Assets, Liabilities, and Net Position Analysis

Total assets and deferred outflows increased \$7.2 million from \$41.9 million in FY 2015 to \$49.1 million in FY 2016. There were decreases to cash and investments of \$3.0 million, a decrease of \$0.4 million to accounts receivable was offset by an increase of \$0.4 million to prepaid expenses and there was increase in due to other business units of \$11.2 million. Decreases to net utility plant of \$1.0 million accounted for the remainder of change in total assets.

The net increase in net position and liabilities is due to increases in accounts payable and payroll related liabilities of \$7.8 million due to year-end allocation of related expenses and a decrease to due to other projects of \$0.8 million.

### Revenues and Expenses Analysis

Overall results of operations improved \$251 thousand from a net loss of \$107 thousand in FY 2015 to a net income of \$144 thousand in FY 2016 due to relocating offices back to the Multi-Purpose Facility and gaining lease revenue from the previous location.

## CURRENT DEBT RATINGS (Unaudited)

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



# STATEMENT OF NET POSITION

As of June 30, 2016 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project Number 1*	Nuclear Project Number 3*	Business Development Fund	Nine Canyon Wind Project	Subtotal	Internal Service Fund	Eliminations	2016 Combined Total
<b>ASSETS</b>										
CURRENT ASSETS										
Cash	\$ 23,366	\$ 1,790	\$ 3,105	\$ 3,063	\$ 2,135	\$ 7,030	\$ 40,489	\$ 4,558	\$ -	\$ 45,047
Investments	-	-	-	-	5,942	4,031	9,973	-	-	9,973
Accounts and other receivables	160,055	110	23,112	26,000	450	198	209,925	113	-	210,038
Due from other business units	-	445	535	303	85	-	1,368	12,279	(13,647)	-
Materials and supplies	155,221	-	-	-	-	-	155,221	-	-	155,221
Prepayments and other	1,860	16	16	3	55	193	2,143	1,784	-	3,927
<b>TOTAL CURRENT ASSETS</b>	<b>340,502</b>	<b>2,361</b>	<b>26,768</b>	<b>29,369</b>	<b>8,667</b>	<b>11,452</b>	<b>419,119</b>	<b>18,734</b>	<b>(13,647)</b>	<b>424,206</b>
RESTRICTED ASSETS (NOTE 1)										
Special funds										
Cash	10,543	-	7,847	13,334	159	19	31,902	8,992	-	40,894
Investments	163,124	-	-	-	-	1,562	164,686	14,864	-	179,550
Accounts and other receivables	118	-	-	-	-	-	118	-	-	118
Debt service funds										
Cash	76,296	-	24,379	45,760	-	10,365	156,800	-	-	156,800
Investments	-	-	-	-	-	9,426	9,426	-	-	9,426
Accounts and other receivables	-	-	-	-	-	6	6	2	-	8
<b>TOTAL RESTRICTED ASSETS</b>	<b>250,081</b>	<b>-</b>	<b>32,226</b>	<b>59,094</b>	<b>159</b>	<b>21,378</b>	<b>362,938</b>	<b>23,858</b>	<b>-</b>	<b>386,796</b>
NON CURRENT ASSETS UTILITY PLANT (NOTE 2)										
In service	4,222,849	14,866	-	-	3,347	134,868	4,375,930	46,285	-	4,422,215
Not in service	-	-	29,415	-	-	-	29,415	-	-	29,415
Construction work in progress	75,989	-	-	-	-	-	75,989	-	-	75,989
Accumulated depreciation	(2,768,937)	(13,057)	(29,415)	-	(1,783)	(74,579)	(2,887,771)	(39,803)	-	(2,927,574)
Net Utility Plant	1,529,901	1,809	-	-	1,564	60,289	1,593,563	6,482	-	1,600,045
Nuclear fuel, net of accumulated depreciation	893,486	-	-	-	-	-	893,486	-	-	893,486
LONG TERM RECEIVABLES	-	-	-	-	-	-	-	7	-	7
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,423,387</b>	<b>1,809</b>	<b>-</b>	<b>-</b>	<b>1,564</b>	<b>60,289</b>	<b>2,487,049</b>	<b>6,489</b>	<b>-</b>	<b>2,493,538</b>
OTHER CHARGES										
Cost in excess of billings	1,117,661	-	947,335	1,119,806	-	-	3,184,802	-	-	3,184,802
Other	-	3,737	-	-	-	-	3,737	-	-	3,737
<b>TOTAL OTHER CHARGES</b>	<b>1,117,661</b>	<b>3,737</b>	<b>947,335</b>	<b>1,119,806</b>	<b>-</b>	<b>-</b>	<b>3,188,539</b>	<b>-</b>	<b>-</b>	<b>3,188,539</b>
<b>TOTAL ASSETS</b>	<b>4,131,631</b>	<b>7,907</b>	<b>1,006,329</b>	<b>1,208,269</b>	<b>10,390</b>	<b>93,119</b>	<b>6,457,645</b>	<b>49,081</b>	<b>(13,647)</b>	<b>6,493,079</b>
DEFERRED OUTFLOWS OF RESOURCES										
Deferred outflows - unamortized loss on bond refunding	19,226	-	213	898	-	2,057	22,394	-	-	22,394
Deferred pension outflows	20,664	64	42	-	646	192	21,608	-	-	21,608
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>39,890</b>	<b>64</b>	<b>255</b>	<b>898</b>	<b>646</b>	<b>2,249</b>	<b>44,002</b>	<b>-</b>	<b>-</b>	<b>44,002</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 4,171,521</b>	<b>\$ 7,971</b>	<b>\$ 1,006,584</b>	<b>\$ 1,209,167</b>	<b>\$ 11,036</b>	<b>\$ 95,368</b>	<b>\$ 6,501,647</b>	<b>\$ 49,081</b>	<b>\$ (13,647)</b>	<b>\$ 6,537,081</b>

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

# STATEMENT OF NET POSITION As of June 30, 2016 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project Number 1 *	Nuclear Project Number 3 *	Business Development Fund	Nine Canyon Wind Project	Subtotal	Internal Service Fund	Eliminations	2016 Combined Total
<b>LIABILITIES AND NET POSITION</b>										
<b>CURRENT LIABILITIES</b>										
Current maturities of long-term debt	\$ 3,965	\$ -	\$ 315	\$ 18,055	\$ -	\$ 7,440	\$ 29,775	\$ -	\$ -	\$ 29,775
Current notes payable	155,000	-	23,000	26,000	-	-	204,000	-	-	204,000
Accounts payable and accrued expenses	40,304	459	486	322	810	501	42,882	42,980	-	85,862
Due to participants	3,231	1,051	-	-	-	-	4,282	-	-	4,282
Due to other business units	12,253	-	-	-	-	26	12,279	1,368	(13,647)	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>214,753</b>	<b>1,510</b>	<b>23,801</b>	<b>44,377</b>	<b>810</b>	<b>7,967</b>	<b>293,218</b>	<b>44,348</b>	<b>(13,647)</b>	<b>323,919</b>
<b>LIABILITIES-PAYABLE FROM RESTRICTED ASSETS (NOTE 1)</b>										
Special funds	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	159	-	159	19	-	178
Debt service funds	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	72,805	-	24,050	27,783	-	2,392	127,030	-	-	127,030
<b>TOTAL RESTRICTED LIABILITIES</b>	<b>72,805</b>	<b>-</b>	<b>24,050</b>	<b>27,783</b>	<b>159</b>	<b>2,392</b>	<b>127,189</b>	<b>19</b>	<b>-</b>	<b>127,208</b>
<b>LONG-TERM DEBT (NOTE 5)</b>										
Revenue bonds payable	3,426,005	-	841,785	1,042,130	-	94,180	5,404,100	-	-	5,404,100
Unamortized (discount)/premium on bonds - net	174,059	-	105,577	94,607	-	9,822	384,065	-	-	384,065
<b>TOTAL LONG-TERM DEBT</b>	<b>3,600,064</b>	<b>-</b>	<b>947,362</b>	<b>1,136,737</b>	<b>-</b>	<b>104,002</b>	<b>5,788,165</b>	<b>-</b>	<b>-</b>	<b>5,788,165</b>
<b>OTHER LONG-TERM LIABILITIES</b>										
Pension liability	116,616	476	513	-	3,453	964	122,022	-	-	122,022
Decommissioning liability	148,056	-	9,750	-	-	1,454	159,260	-	-	159,260
Other	161	-	-	-	-	-	161	5	-	166
<b>TOTAL OTHER LONG-TERM LIABILITIES</b>	<b>264,833</b>	<b>476</b>	<b>10,263</b>	<b>-</b>	<b>3,453</b>	<b>2,418</b>	<b>281,443</b>	<b>5</b>	<b>-</b>	<b>281,448</b>
<b>OTHER CREDITS</b>										
Advances from members and others	-	5,911	-	-	-	-	5,911	-	-	5,911
Other	-	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER CREDITS</b>	<b>-</b>	<b>5,911</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,911</b>	<b>-</b>	<b>-</b>	<b>5,911</b>
<b>TOTAL LIABILITIES</b>	<b>4,152,455</b>	<b>7,897</b>	<b>1,005,476</b>	<b>1,208,897</b>	<b>4,422</b>	<b>116,779</b>	<b>6,495,926</b>	<b>44,372</b>	<b>(13,647)</b>	<b>6,526,651</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Deferred inflows - unamortized gain on bond refunding	991	-	1,029	270	-	298	2,588	-	-	2,588
Deferred pension inflows	18,075	74	79	-	535	150	18,913	-	-	18,913
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>19,066</b>	<b>74</b>	<b>1,108</b>	<b>270</b>	<b>535</b>	<b>448</b>	<b>21,501</b>	<b>-</b>	<b>-</b>	<b>21,501</b>
<b>NET POSITION</b>										
Net investment in capital assets	-	-	-	-	1,563	(49,394)	(47,831)	6,489	-	(41,342)
Restricted	-	-	-	-	-	18,986	18,986	23,839	-	42,825
Unrestricted	-	-	-	-	4,516	8,549	13,065	(25,619)	-	(12,554)
<b>NET POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,079</b>	<b>(21,859)</b>	<b>(15,780)</b>	<b>4,709</b>	<b>-</b>	<b>(11,071)</b>
<b>TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS</b>	<b>\$ 4,171,521</b>	<b>\$ 7,971</b>	<b>\$ 1,006,584</b>	<b>\$ 1,209,167</b>	<b>\$ 11,036</b>	<b>\$ 95,368</b>	<b>\$ 6,501,647</b>	<b>\$ 49,081</b>	<b>\$ (13,647)</b>	<b>\$ 6,537,081</b>

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



# STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION As Of June 30, 2016 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project No.1 *	Nuclear Project No.3 *	Business Development Fund	Nine Canyon Wind Project	Subtotal	Internal Service Fund	2016 Combined Total
<b>OPERATING REVENUES</b>	\$ 433,225	\$ 2,333	\$ -	\$ -	\$ 8,138	\$ 19,337	\$ 463,033	\$ -	\$ 463,033
<b>OPERATING EXPENSES</b>									
Services to other business units	-	-	-	-	-	-	-	-	-
Nuclear fuel, net	38,393	-	-	-	-	-	38,393	-	38,393
Decommissioning	7,407	-	-	-	-	91	7,498	-	7,498
Depreciation and amortization	77,663	98	-	-	234	6,812	84,807	-	84,807
Operations and maintenance	173,605	2,090	-	-	8,401	5,701	189,797	-	189,797
Administrative & general	25,861	129	-	-	-	32	26,022	-	26,022
Generation tax	5,247	21	-	-	-	52	5,320	-	5,320
Total operating expenses	328,176	2,338	-	-	8,635	12,688	351,837	-	351,837
<b>OPERATING INCOME (LOSS)</b>	<b>105,049</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>(497)</b>	<b>6,649</b>	<b>111,196</b>	<b>-</b>	<b>111,196</b>
<b>OTHER INCOME &amp; EXPENSE</b>									
Other	14,211	-	27,557	41,829	1,218	1	84,816	144	84,960
Gain on DOE settlement	4,532	-	-	-	-	-	4,532	-	4,532
Investment income	1,153	5	37	86	37	164	1,482	-	1,482
Interest expense and debt amortization, net of capitalized interest	(124,945)	-	(33,402)	(41,579)	-	(3,358)	(203,284)	-	(203,284)
Plant preservation and termination costs	-	-	(1,157)	(336)	-	-	(1,493)	-	(1,493)
Depreciation and amortization	-	-	(1)	-	-	-	(1)	-	(1)
Decommissioning	-	-	6,966	-	-	-	6,966	-	6,966
Services to other business units	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER INCOME &amp; EXPENSE</b>	<b>(105,049)</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>1,255</b>	<b>(3,193)</b>	<b>(106,982)</b>	<b>144</b>	<b>(106,838)</b>
<b>INCOME (LOSS)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>758</b>	<b>3,456</b>	<b>4,214</b>	<b>144</b>	<b>4,358</b>
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,321</b>	<b>(25,315)</b>	<b>(19,994)</b>	<b>4,565</b>	<b>(15,429)</b>
<b>TOTAL NET POSITION, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,079</b>	<b>\$ (21,859)</b>	<b>\$ (15,780)</b>	<b>\$ 4,709</b>	<b>\$ (11,071)</b>

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

# STATEMENT OF CASH FLOWS

As of June 30, 2016 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project No.1 *	Nuclear Project No.3 *	Business Development Fund	Nine Canyon Wind Project	Internal Service Fund	2016 Combined Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Operating revenue receipts	\$ 206,604	\$ 2,500	\$ -	\$ -	\$ 4,030	\$ 19,314	\$ -	\$ 232,448
Cash payments for operating expenses	(224,108)	(2,207)	-	-	(3,270)	(5,653)	-	(235,238)
DOE Cash settlement	15,144	-	-	-	-	-	-	15,144
Cash received from TVA fuel activities	48,218	-	-	-	-	-	-	48,218
Cash payments for services net of cash received from other units	-	-	-	-	-	-	(3,050)	(3,050)
Net cash provided by operating activities	45,858	293	-	-	760	13,661	(3,050)	57,522
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Proceeds from bond refundings	46,153	-	53,126	33,908	-	-	-	133,187
Principal paid on revenue bond maturities	(114,590)	-	(53,750)	(47,815)	-	(7,130)	-	(223,285)
Payment for bond issuance and financing costs	(1,770)	(4)	(1,634)	(1,493)	-	(43)	-	(4,944)
Proceeds from notes payable	155,000	-	53,803	83,109	-	-	-	291,912
Payment for notes payable	(93,651)	-	(82,653)	(89,729)	-	-	-	(266,033)
Interest paid on bonds	(139,942)	-	(44,580)	(51,719)	-	(4,893)	-	(241,134)
Interest paid on notes	(91)	-	(66)	(41)	-	-	-	(198)
Payment for capital items	(122,020)	(171)	(1)	-	(353)	(240)	(40)	(122,825)
Nuclear fuel acquisitions	(6,039)	-	-	-	-	-	-	(6,039)
Payments received from BPA for terminated nuclear projects	-	-	27,482	53,786	-	-	-	81,268
Net cash provided/(used) by capital and related financing activities	(276,950)	(175)	(48,273)	(19,994)	(353)	(12,306)	(40)	(358,091)
<b>CASH FLOWS FROM NON-CAPITAL FINANCE ACTIVITIES</b>	-	-	-	-	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Purchases of investment securities	(4,223)	(695)	(13,634)	(44,153)	(5,994)	(4,807)	(18,332)	(91,838)
Sales of investment securities	123,351	1,187	16,114	47,135	-	9,635	25,664	223,086
Interest on investments	1,688	11	44	88	82	217	100	2,230
Net cash provided/(used) by investing activities	120,816	503	2,524	3,070	(5,912)	5,045	7,432	133,478
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(110,276)</b>	<b>621</b>	<b>(45,749)</b>	<b>(16,924)</b>	<b>(5,505)</b>	<b>6,400</b>	<b>4,342</b>	<b>(167,091)</b>
<b>CASH AT JUNE 30, 2015</b>	<b>220,481</b>	<b>1,169</b>	<b>81,080</b>	<b>79,081</b>	<b>7,799</b>	<b>11,014</b>	<b>9,208</b>	<b>409,832</b>
<b>CASH AT JUNE 30, 2016 (NOTE H)</b>	<b>\$ 110,205</b>	<b>\$ 1,790</b>	<b>\$ 35,331</b>	<b>\$ 62,157</b>	<b>\$ 2,294</b>	<b>\$ 17,414</b>	<b>\$ 13,550</b>	<b>\$ 242,741</b>

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

## RECONCILIATION OF DIRECT CASH FLOW TO STATEMENT OF NET POSITION

Cash unrestricted	\$ 23,366	\$ 1,790	\$ 3,105	\$ 3,063	\$ 2,135	\$ 7,030	\$ 4,558	\$ 45,047
Cash restricted special funds	\$ 10,543	\$ -	\$ 7,847	\$ 13,334	\$ 159	\$ 19	\$ 8,992	\$ 40,894
Cash restricted debt service funds	\$ 76,296	\$ -	\$ 24,379	\$ 45,760	\$ -	\$ 10,365	\$ -	\$ 156,800
Total Statement of Net Position cash	\$ 110,205	\$ 1,790	\$ 35,331	\$ 62,157	\$ 2,294	\$ 17,414	\$ 13,550	\$ 242,741



# STATEMENT OF CASH FLOWS As of June 30, 2016 (Dollars in thousands)

	Columbia Generating Station	Packwood Lake Hydroelectric Project	Nuclear Project No.1 *	Nuclear Project No.3 *	Business Development Fund	Nine Canyon Wind Project	Internal Service Fund	2016 Combined Total
<b>RECONCILIATION OF NET OPERATING REVENUES TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>								
Net income/loss from operations	\$ 105,049	\$ (5)	\$ -	\$ -	\$ (497)	\$ 6,649	\$ -	\$ 111,196
Adjustments to reconcile net operating revenues to cash provided by operating activities:								
Depreciation and amortization	116,649	98	-	-	234	6,812	1,043	124,836
Decommissioning	7,412	-	-	-	-	91	-	7,503
Non-operating revenues	-	-	-	-	-	(1)	144	143
Other	20,136	41	-	-	1,219	262	(45)	21,613
Change in operating assets and liabilities:								
Deferred charges/costs in excess of billings	(37,859)	175	-	-	-	-	-	(37,684)
Accounts receivable	(146,023)	(11)	-	-	(154)	(239)	327	(146,100)
Materials and supplies	(12,259)	-	-	-	-	-	-	(12,259)
Prepaid and other assets	70	1	-	-	(54)	(3)	(382)	(368)
Due from/to other business units	9,588	88	-	-	511	108	(11,964)	(1,669)
Due from/to participants	-	-	-	-	-	-	-	-
Accounts payable	(16,905)	(94)	-	-	(499)	(18)	7,827	(9,689)
<b>Net cash provided by operating and nonoperating activities</b>	<b>\$ 45,858</b>	<b>\$ 293</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 760</b>	<b>\$ 13,661</b>	<b>\$ (3,050)</b>	<b>\$ 57,522</b>
Non-cash activities								
Capitalized interest	\$ 4,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,778
Bond Refunding	\$ 158,807	\$ -	\$ 292,375	\$ 285,783	\$ -	\$ -	\$ -	\$ 736,965
Decommissioning Liability Adjustment	\$ -	\$ -	\$ 7,062	\$ -	\$ -	\$ -	\$ -	\$ 7,062

\* Project recorded on a liquidation basis

The accompanying notes are an integral part of these combined financial statements

# NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

Energy Northwest operates the Columbia Generating Station (Columbia), a 1,157-MWe (Design Electric Rating, net) generating plant completed in 1984. Energy Northwest has obtained all permits and licenses required to operate Columbia. Columbia was issued a standard 40-year operating license by the Nuclear Regulatory Commission (NRC) in 1983. On January 19, 2010 Energy Northwest submitted an application to the NRC to renew the license for an additional 20 years, thus continuing operations to 2043. A renewal license was granted by the NRC on May 22, 2012 for continued operation of Columbia to December 31, 2043.

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

The electric power produced by Packwood is sold to 12 project participant utilities which pay the costs of Packwood. The Packwood participants are

obligated to pay annual costs of Packwood including debt service, whether or not Packwood is operable. The participants also share Packwood revenue (See Note 5).

Nuclear Project No. 1, a 1,250-MWe plant, was placed in extended construction delay status in 1982, when it was 65 percent complete. Nuclear Project No. 3, a 1,240-MWe plant, was placed in extended construction delay status in 1983, when it was 75 percent complete. On May 13, 1994, Energy Northwest's Board of Directors adopted resolutions terminating Nuclear Projects Nos. 1 and 3. All funding requirements remain as net-billed obligations of Nuclear Projects Nos. 1 and 3. Energy Northwest is no longer responsible for site restoration costs for Nuclear Project No. 3. (See Note 10)

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

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

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

Energy Northwest's fiscal year begins on July 1 and ends on June 30. In preparing these financial statements, the company has evaluated events and transactions for potential recognition or disclosure through September 22, 2016, the date of audit opinion issuance date.

The following is a summary of the significant accounting policies:

**A) Basis of Accounting and Presentation:** The accounting policies of Energy Northwest conform to Generally Accepted Accounting Principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles this includes all GASB implementation guides, GASB technical Bulletins, and guidance from the American Institute of Certified Public Accountants (AICPA) that is cleared by GASB. Energy Northwest has applied all applicable GASB pronouncements and has applied Financial Accounting Standards Board (FASB) standards, as other accounting literature, in those areas not directly prescribed by GASB and to the extent that they do not conflict with or contradict GASB pronouncements. The accounting and reporting policies of Energy Northwest are regulated by the Washington State Auditor's Office and are based on the Uniform System of Accounts prescribed for public utilities and licensees by FERC. Energy Northwest uses an accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Revenues and expenses related to Energy Northwest's operations are considered to be operating revenues and expenses; while revenues and expenses



related to capital, financing and investing activities are considered to be other income and expenses. Separate funds and books of accounts are maintained for each business unit. Payment of the obligations of one business unit with funds of another business unit is prohibited, and would constitute violation of bond resolution covenants (See Note 4).

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

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

The combined total column on the financial statements is for presentation only as each Energy Northwest business unit is financed and accounted for separately from all other current and future business units. The FY 2016 Combined Total includes eliminations for transactions between business units as required in GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments".

Issued and Adopted Guidance:

GASB Statement No. 72, "Fair Value Measurement and Application" primary objective is to address the reporting issues related to fair value measurements. This statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 72 is effective for Energy Northwest in fiscal year 2016. Energy Northwest has implemented GASB Statement No. 72 addressing the method we use to value our investments. (See Note 3)

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" primary objective is to identify in the context of the current governmental financial reporting environment the hierarchy of generally accepted accounting principles to improve financial reporting. GASB Statement No. 76 is effective for Energy Northwest in fiscal year 2016. GASB Statement No. 76 has been implemented by Energy Northwest changing the secondary category of guidance to GASB Implementation Guides, GASB Technical Bulletins, and guidance from the AICPA that is cleared by GASB. FASB will now be utilized when GASB and the stated sources are silent.

Issued but not Adopted Guidance:

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets" that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 primary objective is to improve the usefulness

of information about pensions included in the general purpose external financial reports for making decisions and assessing accountability. GASB Statement No. 73 is effective in fiscal year 2017. The impact of GASB Statement No. 73 has not yet been determined by Energy Northwest management.

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

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

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

GASB Statement No. 78, "Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans" primary objective is to address a practice issue regarding the scope and applicability of GASB 68, "Accounting and Financial Reporting for Pensions." This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. GASB Statement No. 78 is effective for fiscal year 2016, but is not applicable to Energy Northwest.

GASB Statement No. 80, "Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14." objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. GASB Statement No. 80 is effective in fiscal year 2017, but is not applicable to Energy Northwest.

GASB Statement No. 81, "Irrevocable Split-Interest Agreements" objective is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement is applicable for fiscal year 2018, but is not applicable to Energy Northwest.

GASB Statement No. 82, "Pension Issues-Amendment of GASB No. 67, No. 68, and No. 73." objective is to address certain issues that have been raised with respect to GASB Statements No. 67, "Financial Reporting for Pension Plans," GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." Specifically, this statement addresses issues regarding (1) The presentation of payroll-

related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB Statement No. 82 is effective in fiscal year 2018. The impact of GASB Statement No. 82 has not yet been determined by Energy Northwest management.

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

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

Buildings and Improvements	20 - 60 years
Generation Plant	40 years
Transportation Equipment	6 - 10 years
General Plant and Equipment	5 - 15 years

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

The utility plant and net position of Nuclear Projects Nos. 1 and 3 have been reduced to their estimated net realizable values due to termination. A write-down of Nuclear Projects Nos. 1 and 3 was recorded in FY 1995 and included in Cost in Excess of Billings. Interest expense, termination expenses and asset disposition costs for Nuclear Projects Nos. 1 and 3 have been charged to other income and expense (See Note 10).

- C) Capitalized Interest:** Energy Northwest analyzes the gross interest expense relating to the cost of the bond sale, taking into account interest earnings and draws for purchase or construction reimbursements for the purpose of analyzing impact to the recording of capitalized interest. If estimated costs are more than inconsequential, an adjustment is made to allocate capitalized interest to the appropriate plant account. Capitalized interest costs were \$4.8 million for utility plant with no capitalized interest for fuel.
- D) Nuclear Fuel:** Energy Northwest has various agreements for uranium concentrates, conversion, and enrichment to provide for short-term enriched uranium product and long-term enrichment services. All expenditures related to the initial purchase of nuclear fuel for Columbia, including interest, were capitalized and carried at cost.
- E) Asset Retirement Obligation (ARO's):** In the absence of government-specific guidance that directly addresses ARO's, Energy Northwest has elected to follow Accounting Standards Codification (ASC) 410, Asset Retirement and Environmental Obligations as issued by the FASB, which does not conflict with or contradict GASB standards. ASC 410 allows Energy Northwest to recognize the fair value of a liability associated

with the retirement of a long-lived asset, such as: Columbia Generating Station, Nuclear Project No. 1, and Nine Canyon, in the period in which it is incurred (See Note 9). AROs are included in decommissioning liabilities on the statement of net position.

- F) Decommissioning and Site Restoration:** Energy Northwest established decommissioning and site restoration funds for Columbia and monies are being deposited each year in accordance with an established funding plan (See Note 10).

- G) Restricted Assets:** In accordance with bond resolutions, related agreements and laws, separate restricted accounts have been established. These assets are restricted for specific uses including debt service, construction, capital additions and fuel purchases, unplanned operation and maintenance costs, termination, decommissioning, operating reserves, financing, long-term disability, and workers' compensation claims. They are classified as current or non-current assets as appropriate.

When both restricted and unrestricted resources are available for use, it is Energy Northwest's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

- J) Other Receivables:** Other receivables include amounts related to the Internal Service Fund from miscellaneous outstanding receivables from other business units which have not yet been collected. The amounts due to each business unit are reflected in Due To/From other business units. Other receivables specific to each business unit are recorded in the residing business unit. No allowances were deemed necessary at the end of the fiscal year. Payments made by members in advance of expenses incurred are included as advances from members in the Statement of Net Position.

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



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

### PROJECTS OPERATING LEASE COSTS

(Dollars in thousands)

	2017	2018	2019	2020	2021	2022-2026*
Columbia	\$ 614	\$ 614	\$ 614	\$ 614	\$ 614	\$ 3,070
Nuclear Project No. 1	35	35	35	35	35	175
Nine Canyon	710	710	710	710	710	3,550
Business Development Fund	37	37	37	37	37	185
Internal Service Fund	136	136	136	136	136	680
<b>Total</b>	<b>\$ 1,532</b>	<b>\$ 1,532</b>	<b>\$ 1,532</b>	<b>\$ 1,532</b>	<b>\$ 1,532</b>	<b>\$ 7,660</b>

\* The life of the assets is estimated to be through 2043, which is the year the nuclear plant is currently licensed.

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

### LONG-TERM LIABILITIES

(Dollars in thousands)

	Balance 6/30/2015	Increase	Decrease	Balance 6/30/2016
<b>Columbia</b>				
Revenue bonds payable	\$ 3,407,450	\$ 131,665	\$ 113,110	\$ 3,426,005
Unamortized (discount)/premium on bonds - net	167,965	27,157	21,063	174,059
Current maturities of long-term debt	114,590	3,965	114,590	3,965
Other noncurrent liabilities	12,978	-	12,817	161
<b>\$ 3,702,983</b>	<b>\$ 162,787</b>	<b>\$ 261,580</b>	<b>\$ 3,604,190</b>	
<b>Nuclear Project No.1</b>				
Revenue bonds payable	\$ 840,675	\$ 240,810	\$ 239,700	\$ 841,785
Unamortized (discount)/premium on bonds - net	68,050	51,569	14,042	105,577
Current maturities of long-term debt	53,750	315	53,750	315
<b>\$ 962,475</b>	<b>\$ 292,694</b>	<b>\$ 307,492</b>	<b>\$ 947,677</b>	
<b>Nuclear Project No.3</b>				
Revenue bonds payable	\$ 1,081,005	\$ 230,630	\$ 269,505	\$ 1,042,130
Unamortized (discount)/premium on bonds - net	53,494	55,172	14,059	94,607
Current maturities of long-term debt	47,815	18,055	47,815	18,055
<b>\$ 1,182,314</b>	<b>\$ 303,857</b>	<b>\$ 331,379</b>	<b>\$ 1,154,792</b>	
<b>Nine Canyon</b>				
Revenue bonds payable	\$ 101,620	\$ -	\$ 7,440	\$ 94,180
Unamortized (discount)/premium on bonds - net	11,494	-	1,672	9,822
Current maturities of long-term debt	7,130	7,440	7,130	7,440
<b>\$ 120,244</b>	<b>\$ 7,440</b>	<b>\$ 16,242</b>	<b>\$ 111,442</b>	

\* Does not include Pension Liabilities and decommissioning liabilities; these items are in notes 6 and 9 respectively.

**N) Debt Premium, Discount and Expense:** Original issue and reacquired bond premiums, discounts relating to the bonds are amortized over the terms of the respective bond issues using the bonds outstanding method which approximates the effective interest method. In accordance with GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", gains and losses on debt refundings have been deferred and amortized as a component of interest expense over the shorter of the remaining life of the old or new debt. Expenses related to debt issuance are expensed as incurred.

**O) Revenue and Expenses:** Energy Northwest accounts for expenses and revenues on an accrual basis, and recovers, through various agreements, actual cash requirements for operations and debt service for Columbia, Packwood, Nuclear Project No. 1 and Nuclear Project No. 3. For these business units, Energy Northwest recognizes revenues equal to expenses for each period. Revenues of Nuclear Project No.1 and Nuclear Project No.3 are recorded under other income and expense, as these two business units are terminated nuclear projects. No net revenue or loss is recognized, and no net position is accumulated. The difference between cumulative billings received and cumulative expenses is recorded as either billings in excess of costs (other credits) or as costs in excess of billings (other charges), as appropriate. Such amounts will be settled during future operating periods (See Note 5).

The difference between cumulative revenues and cumulative expenses for Packwood Hydroelectric, Nine Canyon and Business Development is recognized as net income or loss and included in Net Position for each period.

Energy Northwest distinguishes operating revenues and expenses from other income and expense items. Operating revenues and expenses generally result from the Net Billing agreements stated above or from services provided by EN's principle operations. Operating expenses for Energy Northwest include the costs of operating the generation producing facility, related administrative fees, and depreciation on utility plant. All revenues and expenses not meeting this definition are reported as other income or expense.

**P) Compensated Absences:** Employees earn leave in accordance with length of service. Energy Northwest accrues the cost of personal leave in the year when earned. The liability for unpaid leave benefits and related payroll taxes was \$21.8 million at the end of this fiscal year and is recorded as a current liability.

**Q) Use of Estimates:** The preparation of Energy Northwest financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could

differ from these estimates. Certain incurred expenses and revenues are allocated to the business units based on specific allocation methods that management considers to be reasonable.

**R) Deferred Inflows and Outflows:** Deferred outflows of resources are defined as the consumption of net assets by Energy Northwest that are applicable to a future reporting period, and are reported in the statement of financial position in a separate section following assets. Deferred inflows of resources are defined as acquisitions of net assets by Energy Northwest that is applicable to a future reporting period, and are reported in the statement of financial position in a separate section following liabilities.

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

**S) Other Charges and Credits for Resources:** Other charges of \$3.7 million relate to the Packwood relicensing effort.

**T) Short-Term Debt:** Multiple non-revolving loan facilities that were established for Project 1, Columbia, and Project 3 in fiscal year 2015 were subsequently paid in full during fiscal year 2016. Those facilities paid in full included separate facilities in the amount of \$51.9 million and \$30.8 million for Project 1; \$45.5 million and \$48.1 million for Columbia; and \$32.6 million and \$57.1 million for Project 3. One new loan agreement was established in fiscal year 2016 for up to \$300.0 million in total; \$23.0 million for Project 1, \$251.0 million for Columbia, and \$26.0 million for Project 3 to fund interest expense for all three projects as well as operations and maintenance related expenses for Columbia. On June 30, 2016, \$23.0 million, \$155.0 million, and \$26.0 million had been drawn for Project 1, Columbia, and Project 3 respectively. The short-term loan has a final maturity of June 30, 2017. Nine Canyon did not receive short-term financing during fiscal year 2016. These balances are included in current notes payable in the Statement of Net Position.

**U) Pensions:** For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred Inflows of resources related to pensions, and pension expense, Information about the fiduciary net position of the Washington State Public Employees Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.



## SHORT-TERM LIABILITIES

(Dollars in thousands)

	Balance 6/30/2015	Increases	Decreases	Balance Outstanding 6/30/2016	Balance Available at 6/30/2016
<b>Columbia</b>					
Non-Revolving Loan	\$ 93,648	\$ 155,000	\$ 93,648	\$ 155,000	\$ 96,000
<b>Nuclear Project No.1</b>					
Non-Revolving Loan	51,850	53,803	82,653	23,000	-
<b>Nuclear Project No.3</b>					
Non-Revolving Loan	32,620	83,109	89,729	26,000	-
<b>Nine Canyon</b>					
Short-term debt	-	-	-	-	-
<b>Packwood</b>					
Short-term debt	-	-	-	-	-
<b>Business Development</b>					
Short-term debt	-	-	-	-	-
<b>Total</b>	<b>\$ 178,118</b>	<b>\$ 291,912</b>	<b>\$ 266,030</b>	<b>\$ 204,000</b>	<b>\$ 96,000</b>

## NOTE 2 - Utility Plant

Utility plant activity for the year ended June 30, 2016 was as follows:

	Balance 06/30/2015	Capital Acquisitions	Sale or Other Dispositions	Balance 06/30/2016
<b>Columbia</b>				
Generation	\$ 4,106,892	\$ 104,076	\$ (2,887)	\$ 4,208,081
Decommissioning	14,768	-	-	14,768
Construction Work-in-Progress	58,203	560,716	(542,929)	75,990
Accumulated Depreciation and Decommissioning	(2,695,114)	(76,711)	2,887	(2,768,938)
Utility Plant, net*	<b>\$ 1,484,749</b>	<b>\$ 588,081</b>	<b>\$ (542,929)</b>	<b>\$ 1,529,901</b>
<b>Packwood</b>				
Generation	\$ 14,736	\$ 130	\$ -	\$ 14,866
Construction Work-in-Progress	-	363	(363)	-
Accumulated Depreciation	(12,966)	(91)	-	(13,057)
Utility Plant, net	<b>\$ 1,770</b>	<b>\$ 402</b>	<b>\$ (363)</b>	<b>\$ 1,809</b>
<b>Business Development</b>				
Generation	\$ 3,011	\$ 336	\$ -	\$ 3,347
Construction Work-in-Progress	-	490	(490)	-
Accumulated Depreciation	(1,556)	(227)	-	(1,783)
Utility Plant, net	<b>\$ 1,455</b>	<b>\$ 599</b>	<b>\$ (490)</b>	<b>\$ 1,564</b>
<b>Nine Canyon</b>				
Generation	\$ 133,782	\$ 225	\$ -	\$ 134,007
Decommissioning	861	-	-	861
Construction Work-in-Progress	-	1,047	(1,047)	-
Accumulated Depreciation and Decommissioning	(67,748)	(6,831)	-	(74,579)
Utility Plant, net*	<b>\$ 66,895</b>	<b>\$ (5,559)</b>	<b>\$ (1,047)</b>	<b>\$ 60,289</b>
<b>Internal Service Fund</b>				
Generation	\$ 46,761	\$ 71	\$ (547)	\$ 46,285
Construction Work-in-Progress	53	5,456	(5,509)	-
Accumulated Depreciation	(39,307)	(1,043)	547	(39,803)
Utility Plant, net	<b>\$ 7,507</b>	<b>\$ 4,484</b>	<b>\$ (5,509)</b>	<b>\$ 6,482</b>

\* Does not include nuclear fuel, net of amortization



### NOTE 3 - Investments

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

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

**Concentration of credit risk:** Energy Northwest's investment policy has restrictions on concentration of credit risk. No limits of concentration are set on U.S. Treasury related to securities or cash holdings. Excluding the exceptions noted, no more than 50% of the entity's total Investment portfolio will be invested in a single security type or with a single financial Institution.

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

**Custodial credit risk, investments:** For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, EN will not be able to recover the value of its investments or collateral securities in possession of an outside party. EN's investment policy addresses this risk. All securities owned by Energy Northwest are held by a third party custodian, acting as an agent for EN under the terms of a custody agreement.

**Fair Market Value:** Energy Northwest investments have been adjusted to reflect available market values as of June 30, 2016 obtained from available financial industry valuation sources. Energy Northwest categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All EN fair market measurements are quoted at Level 2.

### NOTE 4 - Long-Term Debt

Each Energy Northwest business unit is financed separately. The resolutions of Energy Northwest authorizing issuance of revenue bonds for each business unit provide that such bonds are payable from the revenues of that business unit. All bonds issued under resolutions Nos. 769, 775 and 640 for Nuclear Projects Nos. 1, 3 and Columbia, respectively, have the same priority of payment within the business unit (the "prior lien bonds"). No prior lien bonds remain outstanding related to Columbia authorized under resolution No. 640. All bonds issued under resolutions Nos. 835, 838 and 1042 (the "electric revenue bonds") for Nuclear Projects Nos. 1, 3 and Columbia, respectively, are subordinate to the prior lien bonds and have the same subordinated priority of payment within the business unit. Nine Canyon's bonds were authorized by the following resolutions: Resolution No. 1214 (2001 Bonds), Resolution No. 1299 (2003 Bonds), Resolution No. 1376 (2005 Bonds), Resolution No. 1482 (2006 Bonds), Resolution No. 1722 (2012 Bonds), Resolution No. 1789 (2014 Bonds), and Resolution No. 1824 (2015 Bonds). No 2001, 2003, or 2005 Nine Canyon bonds remained outstanding as of June 30, 2016 under Resolution Nos. 1214, 1299, and 1376 respectively.

During the year ended June 30, 2016, Energy Northwest issued, for Project 1, Columbia, and Project 3, 2015-C fixed-rate bonds. The Series 2016-A fixed-rate bonds and 2016-B fixed-rate bonds for Project 1, Columbia, and Project 3 were also issued. The Project 1, Columbia, and Project 3 bonds were issued with a coupon interest rate ranging from 1.65 percent to 5.0 percent.

The 2015-C bonds for Project 1, Columbia, and Project 3 are tax-exempt fixed-rate bonds issued to repay an outstanding Note obligation originally issued to repay prior Project 1, Columbia, and Project 3 bonds. The Series 2016-A bonds issued for Project 1, Columbia, and Project 3 are tax-exempt fixed-rate bonds. Series 2016-B bonds issued for Project 1, Columbia, and

### AVAILABLE-FOR-SALE INVESTMENTS (Dollars in thousands)

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (1) (2)
Columbia	\$ 162,995	\$ 146	\$ (17)	\$ 163,124
Packwood	-	-	-	-
Nuclear Project No. 1	-	-	-	-
Nuclear Project No. 3	-	-	-	-
Business Development Fund	5,937	5	-	5,942
Internal Service Fund	14,857	7	-	14,864
Nine Canyon Wind	14,969	50	-	15,019

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

(2) The majority of investments have maturities of less than 1 year. Approximately \$1 million have a maturity beyond 1 year with the longest maturity being December 8th, 2017.

Investment Type	Rating	June 30, 2016
Federal Home Loan Bank	AA+	25%
Federal National Mortgage Assn.	AA+	7%
U.S. Treasury	AA+	69%
		100%



Project 3 are taxable fixed-rate bonds. These bonds were issued in majority to refund prior Project 1, Columbia, and Project 3 bonds. The 2016-A, and 2016-B refunding bonds resulted in a combined economic loss of \$0.8 million and \$0.8 million for Project 1 and Columbia respectively while Project 3 realized an economic gain of \$0.1 million.

Energy Northwest also defeased certain revenue bonds by placing the net proceeds from the refunding bonds in irrevocable trusts to provide for all required future debt service payments on the refunded bonds until the dates of redemption. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the financial statement. In FY 2016 defeasements included \$214 million, \$216 million, and \$512 million for Project Nos. 1 and 3, and Columbia respectively.

The Weighted Average Coupon Interest Rates and Total Defeased Bonds for Project 1, Columbia, and Project 3 2015-C; and Project 1, Columbia, and Project 3 2016-A and 2016-B are presented in the following tables:

#### WEIGHTED AVERAGE COUPON INTEREST RATE FOR REFUNDED BONDS

	2015C	2016A	2016B
Project 1	(A)	5.39%	N/A
Columbia	(A)	4.05%	0.85%
Project 3	(A)	5.17%	1.74%
Total	(A)	5.06%	1.32%

#### WEIGHTED AVERAGE COUPON INTEREST RATE FOR NEW BONDS

	2015C	2016A	2016B
Project 1	4.32%	5.00%	1.65%
Columbia	5.00%	5.00%	3.05%
Project 3	5.00%	5.00%	2.70%
Total	4.73%	5.00%	2.71%

#### TOTAL DEFEASED (Dollars in thousands)

	2015C	2016A	2016B	Total
Project 1	(A) \$	239,385	N/A	\$ 239,385
Columbia	(A) \$	105,490	3,655	\$ 109,145
Project 3	(A) \$	247,405	4,045	\$ 251,450
Total	(A) \$	592,280	7,700	\$ 599,980

(A) The 2015C Bonds were issued with the purpose of repaying \$51.85 million, \$45.53 million, and \$32.62 million of Project 1, Columbia, and Project 3 Notes respectively, which were established in June 2015.

#### 2015 REFUNDING RESULTS

Outstanding principal on revenue and refunding bonds for the various business units as of June 30, 2016, and future debt service requirements for these bonds are presented in the following tables:

2016-A (Tax-Exempt) Transaction	Columbia	Project 1	Project 3
<b>Cash Flow Difference</b>			
Old debt service cash flows	\$ 115,227	\$ 239,385	\$ 248,360
New debt service cash flows	135,995	290,068	304,103
Net Cash Flow Savings (Dissavings)	\$ (20,768)	\$ (50,683)	\$ (55,743)

<b>Economic Gain / Loss</b>			
Present value of old debt service cash flows	\$ 109,637	\$ 238,240	\$ 246,735
Present value of new debt service cash flows	110,073	238,991	246,352
Economic Gain (Loss)	\$ (436)	\$ (751)	\$ 383

2016-B (Taxable) Transaction	Columbia	Project 1	Project 3
<b>Cash Flow Difference</b>			
Old debt service cash flows	\$ 3,655	\$ -	\$ 4,045
New debt service cash flows	5,116	-	5,460
Net Cash Flow Savings (Dissavings)	\$ (1,461)	\$ -	\$ (1,415)

<b>Economic Gain / Loss</b>			
Present value of old debt service cash flows	\$ 3,638	\$ -	\$ 4,026
Present value of new debt service cash flows	3,968	-	4,308
Economic Gain (Loss)	\$ (330)	\$ -	\$ (282)

## COLUMBIA REVENUE AND REFUNDING BONDS

(Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Original Issue Amount	Amount Outstanding
2004A	5.25	7-1-2018	422,350	\$ 20,375
2004C	5.25	7-1-2018	26,620	2,825
2006A	5.00	7-1-2020	434,210	50,000
2006D	5.80	7-1-2023	3,425	3,425
2007A	5.00	7-1-17/2018	77,575	20,105
2007B	5.33	7-1-20/2021	10,665	9,935
2007D	5.00	7-1-21/2024	35,080	24,235
2008A	5.00-5.25	7-1-16/2018	110,935	32,910
2008B	5.95	7-1-20/2021	14,850	12,025
2008C	5.00-5.25	7-1-21/2024	37,240	28,240
2009A	4.00-5.00	7-1-16/2018	116,425	59,345
2009B	6.80	7-1-23/2024	18,515	9,780
2009C	4.25-5.00	7-1-20/2024	69,170	41,235
2010B	3.75-4.25	7-1-20/2024	16,005	16,005
2010C	4.52-5.12	7-1-20/2024	75,770	75,770
2010D	5.61-5.71	7-1-23/2024	155,805	155,805
2011A	4.00-5.00	7-1-16/2023	311,245	270,105
2011B	4.19-5.19	7-1-19/2024	29,920	29,920
2011C	3.55	7-1-2019	4,600	4,600
2012A	5.00	7-1-18/2021	441,240	441,240
2012D	4.00-5.00	7-1-25/2044	34,140	34,140
2012E	2.15-4.14	7-1-18/2037	748,515	723,030
2014A	3.00-5.00	7-1-17/2040	517,720	501,175
2014B	0.5-4.05	7-1-17/2030	90,520	72,445
2015A	4.00-5.00	7-1-21/2038	330,460	330,460
2015B	0.55-3.84	7-1-16/2038	329,175	329,175
2015C	5.00	7-1-30/2031	38,525	38,525
2016A	5.00	7-1-18/2032	89,055	89,055
2016B	1.65-3.2	7-1-19/2028	4,085	4,085

Revenue bonds payable	\$ 3,429,970
Estimated fair value at June 30, 2016	\$ 3,895,874 (B)

(B) The estimated fair value shown has been reported to meet the disclosure requirements of the Accounting Standards Codification (ASC) 820 and does not purport to represent the amounts at which these obligations would be settled.

## NUCLEAR PROJECT NO. 1 REFUNDING REVENUE BONDS

(Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Original Issue Amount	Amount
2007A	5.00	7-1-2017	51,730	\$ 15,895
2007C	5.00	7-1-2017	219,020	46,140
2008A	5.00-5.25	7-1-2017	230,535	54,350
2008D	5.00	7-1-2017	72,000	6,580
2010A	3.00-4.00	7-1-2017	71,150	10,980
2012A	5.00	7-1-2017	155,390	98,700
2012B	5.00	7-1-2017	41,285	41,285
2014C	5.00	7-1-25/2027	197,110	197,110
2015A	5.00	7-1-27/2028	117,815	117,815
2015B	0.60-0.98	7-1-16/2017	12,435	12,435
2015C	3.00-5.00	7-1-2025	44,005	44,005
2016A	5.00	7-1-25/2026	195,525	195,525
2016B	1.65	7-1-2019	1,280	1,280

Revenue bonds payable	\$ 842,100
Estimated fair value at June 30, 2016	\$ 993,528 (B)

(B) The estimated fair value shown has been reported to meet the disclosure requirements of the Accounting Standards Codification (ASC) 820 and does not purport to represent the amounts at which these obligations would be settled.

## NUCLEAR PROJECT NO. 3 REFUNDING REVENUE BONDS

(Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Original Issue Amount	Amount
1993C	5.75	7-1-16/2018	522,853	12,151 (A)
2007A	4.50-5.00	7-1-17/2018	84,465	17,430
2007C	5.00	7-1-17/2018	61,085	20,025
2008A	5.25	7-1-2018	13,790	13,790
2008D	5.00	7-1-2017	64,295	8,525
2009A	5.00-5.25	7-1-2018	116,055	91,365
2010A	5.00	7-1-17/2018	279,980	263,955
2011A	4.00-5.00	7-1-2018	92,285	92,285
2012A	5.00	7-1-2018	67,885	67,885
2012B	3.00-5.00	7-1-2017	30,330	22,995
2014C	5.00	7-1-2028	72,305	72,305
2015A	3.00-5.00	7-1-17/2026	79,040	79,040
2015B	0.60-1.38	7-1-16/2018	33,545	33,545
2015C	5.00	7-1-2026	26,675	26,675
2016A	5.00	7-1-18/2027	198,535	198,535
2016B	1.65-3.05	7-1-19/2027	5,420	5,420

Compound interest bonds accretion	34,259
Revenue bonds payable	\$ 1,060,185
Estimated fair value at June 30, 2016	\$ 1,214,398 (B)

(A) Compound Interest Bonds

(B) The estimated fair value shown has been reported to meet the disclosure requirements of the Accounting Standards Codification (ASC) 820 and does not purport to represent the amounts at which these obligations would be settled.



## NINE CANYON WIND PROJECT REVENUE AND REFUNDING BONDS

(Dollars in thousands)

Series	Coupon Rate (%)	Serial or Term Maturities	Original Issue Amount	Amount
2006	5.00	7-1-2016	69,410	\$ 2,840
2012	3.00-5.00	7-1-16/2023	13,750	10,640
2014	5.00	7-1-16/2023	36,750	33,245
2015	4.00-5.00	7-1-17/2030	54,895	54,895

Revenue bonds payable	\$ 101,620
Estimated fair value at June 30, 2016	\$ 116,280 (B)

Total Bonds Payable	\$ 5,433,875
Estimated fair value at June 30, 2016	\$ 6,220,080

(B) The estimated fair value shown has been reported to meet the disclosure requirements of the Accounting Standards Codification (ASC) 820 and does not purport to represent the amounts at which these obligations would be settled.

## DEBT SERVICE REQUIREMENTS As of June 30, 2016 (Dollars in thousands)

### COLUMBIA

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2016 Balance:**	\$ 3,965	\$ 72,805	\$ 76,770
2017	96,715	144,627	241,342
2018	426,295	140,582	566,877
2019	417,255	125,129	542,384
2020	357,000	109,789	466,789
2021	359,405	95,088	454,493
2022-2026	1,032,085	269,489	1,301,574
2027-2031	363,505	154,360	517,865
2032-2036	241,695	61,740	303,435
2037-2041	123,505	12,639	136,144
2042-2044	8,545	724	9,269
	\$ 3,429,970	\$ 1,186,972	\$ 4,616,942

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

\*\* Principal and Interest due July 1, 2016.

### NUCLEAR PROJECT NO. 3

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2016 Balance:**	\$ 18,055	\$ 27,783	\$ 45,838
2017	191,230	49,382	240,612
2018	481,805	41,413	523,218
2019	1,350	18,330	19,680
2020	-	18,308	18,308
2021	-	18,308	18,308
2022-2026	165,540	89,720	255,260
2027-2028	202,205	13,646	215,851
	\$ 1,060,185	\$ 276,890	\$ 1,337,075

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

\*\* Principal and Interest due July 1, 2016.

### NUCLEAR PROJECT NO. 1

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2016 Balance:**	\$ 315	\$ 24,050	\$ 24,365
2017	286,050	41,122	327,172
2018	-	27,444	27,444
2019	1,280	27,444	28,724
2020	-	27,423	27,423
2021	-	27,423	27,423
2022-2026	367,705	125,592	493,297
2027-2028	186,750	12,354	199,104
	\$ 842,100	\$ 312,852	\$ 1,154,952

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

\*\* Principal and Interest due July 1, 2016.

### NINE CANYON WIND PROJECT

FISCAL YEAR*	PRINCIPAL	INTEREST	TOTAL
6/30/2016 Balance:**	\$ 7,440	\$ 2,416	\$ 9,856
2017	7,640	4,471	12,111
2018	8,010	4,105	12,115
2019	8,425	3,705	12,130
2020	8,835	3,296	12,131
2021	9,295	2,855	12,150
2022-2026	32,500	7,927	40,427
2027-2030	19,475	1,985	21,460
	\$ 101,620	\$ 30,760	\$ 132,380

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

\*\* Principal and Interest due July 1, 2016.

## **NOTE 5 - Net Billing**

### **Security - Nuclear Projects Nos. 1 and 3 and Columbia**

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

On May 13, 1994, Energy Northwest's Board of Directors adopted resolutions terminating Nuclear Projects Nos. 1 and 3. The Nuclear Projects Nos. 1 and 3 project agreements and the net-billing agreements, except for certain sections which relate only to billing processes and accrued liabilities and obligations under the net-billing agreements, ended upon termination of the projects. Energy Northwest previously entered into an agreement with BPA to provide for continuation of the present budget approval, billing and payment processes. With respect to Nuclear Project No. 3, the ownership agreement among Energy Northwest and private companies was terminated in FY 1999. (See Note 10)

### **Security - Packwood Lake Hydroelectric Project**

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

## **NOTE 6 - Pension Plans**

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

### **A. Plan Description**

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

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to

transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes. Pursuant to RCW 41.45.060, Washington State Department of Retirement Systems (DRS) will allocate a certain portion of employer contributions from Plan 2/3 to Plan 1 in order to fund its unfunded actuarially accrued liability (UAAL).

### **B. Benefits Provided**

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

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

#### **1. PERS Plan 1**

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

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



## 2. PERS Plan 2/3

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

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

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

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

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

## C. Contributions

### 1. PERS Plan 1 Contributions

The PERS Plan 1 member contribution rate is established by statute at 6.00%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%.

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) at the close of Fiscal Years 2015 and 2016 for local government units were as follows:

Actual Contribution Rates	Employer	Employee
2015	9.21%	6.00%
2016	11.18%	6.00%

### 2. PERS Plan 2/3 Contributions

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

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) at the close of Fiscal Years 2015 and 2016 for local government units were as follows:

Actual Contribution Rates	Employer	Employee Plan 2	Employee Plan 3
2015	9.21%	4.92%	0%
2016	11.18%	6.12%	0%

Both Energy Northwest and the employees made the required contributions during fiscal years 2016, 2015, and 2014. The Company's required employer contributions for the years ending June 30 were as follows (in thousands):

	2016	2015	2014
PERS Plan 1	\$ 35	\$ 32	\$ 43
PERS Plan 1 UAAL	6,106	5,679	5,342
PERS Plan 2/3	8,200	7,108	6,564
Total	\$ 14,341	\$ 12,819	\$ 11,949

## D. Pension Costs

### 1. PERS Plan 1

At June 30, 2016, Energy Northwest reported a liability of \$65,004 thousand for its proportionate share of the PERS Plan 1 net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to that date. Energy Northwest's proportion of the net pension liability was based on the contributions received by PERS during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERS' participating employers as well as the statutorily required contributions required to fund the unfunded actuarial accrued liability. At June 30, 2013, June 30, 2014 and June 30, 2015 Energy Northwest's respective proportionate share was 1.186848%, 1.216683% and 1.242700%.

For the year ended June 30, 2016, Energy Northwest recognized pension expense of \$5,377 thousand for its proportionate share of PERS Plan 1 pension expense.

At June 30, 2016, Energy Northwest reported its proportionate share of PERS Plan 1 deferred outflows of resources and deferred inflows of resources from the following sources (in thousands):

	Deferred Outflows Resources	Deferred Inflows Resources
Differences between expected and actual economic experience	\$ -	\$ 0
Changes in actuarial assumptions	-	-
Net difference between projected and actual investment earnings		3,556
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions paid to PERS subsequent to the measurement date	6,140	-
Difference between actual and proportionate employer contributions	-	-
Total	\$ 6,140	\$ 3,556

\$6,140 thousand reported as deferred outflows of resources related to pensions resulting from Energy Northwest contributions to PERS Plan 1 subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to PERS Plan 1 pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:	Pension Expense Amount
2017	\$ (1,378)
2018	(1,378)
2019	(1,379)
2020	579
2021	-
Thereafter	-
Total	(3,556)

## 2. PERS Plan 2/3 Pension Costs

At June 30, 2016, Energy Northwest reported a liability of \$57,018 thousand for its proportionate share of the PERS Plan 2/3 net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to the measurement date. Energy Northwest's proportion of the net pension liability was based on Energy Northwest contributions received by PERS during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERS' participating employers. At June 30, 2013, June 30, 2014 and June 30, 2015 Energy Northwest's respective proportionate share was 1.551499%, 1.553883% and 1.5957590%.

For the year ended June 30, 2016, Energy Northwest recognized pension expense of \$7,376 thousand for its proportionate share of the PERS Plan 2/3 pension expense.

At June 30, 2016, Energy Northwest reported its proportionate share of the PERS Plan 2/3 deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows Resources	Deferred Inflows Resources
Differences between expected and actual economic experience	\$ 6,002	\$ -
Changes in actuarial assumptions	92	-
Net difference between projected and actual investment earnings	-	15,280
Changes in proportion and differences between contributions and proportionate share of contributions	-	77
Effect of change in the Employer's proportionate share	1,404	
Contributions paid to PERS subsequent to the measurement date	7,970	
Total	\$ 15,468	\$ 15,357

\$7,970 thousand reported as deferred outflows of resources related to pensions resulting from Energy Northwest contributions to the PERS Plan 2/3 subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported

as deferred outflows and inflows of resources related to the PERS Plan 2/3 will be recognized in pension expense as follows (in thousands):

Year ended June 30:	Pension Expense Amount
2017	\$ (3,743)
2018	(3,743)
2019	(3,742)
2020	3,369
2021	-
Thereafter	-
Total	\$ (7,859)

## E. Actuarial Assumptions

The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of Office of State Auditor's (OSA) 2007-2012 Experience Study.

Additional assumptions for the subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014 to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Total Economic Inflation	3.00%
Salary Increases	3.75%*
Investment Rate of Return	7.50%
* In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.	

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

There were minor changes in methods and assumptions since the last valuation.

The OSA updated demographic assumptions, consistent with the changes from the 2007-2012 Experience Study Report, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.

The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.

For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.

The OSA changed the way it applies salary limits, as described in the 2007-2012 Experience Study Report.



The long-term expected rate of return on the DRS pension plan investments of 7.50% was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.50% approximately equals the median of the simulated investment returns over a 50-year time horizon.

#### F. Estimated Rates of Return by Asset Class

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

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
* The inflation component used to create the table is 2.20% and represents WSIB's most recent long-term estimate of broad economic inflation.		

#### G. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for PERS Plans 1 and 2/3. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the asset sufficiency test included an assumed 7.70% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.70%.)

Consistent with the long-term expected rate of return, a 7.50% future investment rate of return on invested assets was assumed for the test. Contributions from plan members' and employers are assumed to continue being made at contractually required rates (including PERS Plans 2 and 3.)

Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50% was used to determine the total liability.

#### H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Energy Northwest's proportionate share of the PERS Plan 1 net pension liability/(asset):	\$ 79,143	\$ 65,005	\$ 52,847
Energy Northwest's proportionate share of the PERS Plan 2/3 net pension liability/(asset):	\$ 166,722	\$ 57,017	\$ (26,979)

The pension liability has been allocated to the business units based on the percentages listed in Note 1. The total pension liability for each unit as of June 30, 2016 is as follow (in thousands):

	Energy Northwest's proportionate share of the PERS Plan 1 net pension liability:	Energy Northwest's proportionate share of the PERS Plan 2/3 net pension liability:	Total
Columbia	\$ 62,125	\$ 54,491	\$ 116,616
Packwood	254	222	476
Business Development	1,838	1,615	3,453
Nine Canyon	514	450	964
Nuclear Project No. 1	273	240	513
Total	\$ 65,004	\$ 57,018	\$ 122,022

#### I. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued DRS 2014 CAFR. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia WA 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

#### NOTE 7 - Deferred Compensation Plans

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

For the 401(k) plan, Energy Northwest may elect to make an employer matching contribution for each of its employees who is a participant during the plan year. The amount of such an employer match shall be 50 percent of the maximum salary deferral percentage. During FY 2016 Energy Northwest contributed \$3.3 million in employer matching funds while employees contributed \$11.1 million.

## **NOTE 8 - Nuclear Licensing and Insurance**

### **Nuclear Licensing**

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

### **Nuclear Insurance**

Nuclear insurance includes liability coverage, property damage, decontamination and premature decommissioning coverage and accidental outage and/or extra expense coverage. The liability coverage is governed by the Price-Anderson Act (Act), while the property damage, decontamination and premature decommissioning coverage are defined by the Code of Federal Regulations. Energy Northwest continues to maintain all regulatory required limits as defined by the NRC, Code of Federal Regulations and the Act. The NRC requires Energy Northwest to certify nuclear insurance limits on an annual basis. Energy Northwest intends to maintain insurance against nuclear risks to the extent such insurance is available on reasonable terms and in an amount and form consistent with customary practice. Energy Northwest is self-insured to the extent that losses (i) are within the policy deductibles, (ii) are not covered per policy exclusions, terms and limitations, (iii) exceed the amount of insurance maintained, or (iv) are not covered due to lack of insurance availability. Such losses could have an effect on Energy Northwest's results of operations and cash flows. All dollar figures noted below are as of June 30, 2016.

**American Nuclear Insurance (ANI) Coverage:** The Act provides financial protection for the public in the event of a significant nuclear generation plant incident. The Act sets the statutory limit of public liability for a single nuclear incident at \$13.36 billion. Energy Northwest addresses this requirement through a combination of private insurance and an industry-wide retrospective payment program called Secondary Financial Protection (SFP). Energy Northwest has \$375 million of liability insurance as the first layer of protection. If any US nuclear generation plant has a significant event which exceeds the plant's first layer of protection, every operating licensed reactor in the US is subject to an assessment up to \$127.3 million not including state insurance premium tax. Assessments are limited to \$18.96 million per reactor, per year, per incident, excluding tax. The SFP is adjusted at least every 5 years to account for inflation and any changes in the number of operating plants. The SFP and liability coverage are not subject to any deductibles.

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

The Agency anticipates exposure to a variety of risks of loss as a normal part of conducting business (for example: torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation). These

anticipated risks of losses are covered through a combination of self-insurance, commercial property and liability insurance, nuclear property and liability insurance, professional services liability insurance, Directors & Officers (including employment practices liability) insurance, and fiduciary insurance. Claims for loss to the Agency are infrequent and have not exceeded the liability policy limits in the past three years.

## **NOTE 9 - Asset Retirement Obligation (ARO)**

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

Energy Northwest has identified legal obligations to retire generating plant assets at the following business units: Columbia, Nuclear Project No. 1 and Nine Canyon. Decommissioning and site restoration requirements for Columbia and Nuclear Project No. 1 are governed by the NRC regulations and site certification agreements between Energy Northwest and the state of Washington and regulations adopted by the Washington Energy Facility Site Evaluation Council (EFSEC) and a lease agreement with the Department of Energy ("DOE"). (See Notes 1 & 10)

As of June 30, 2016, Columbia has a capital decommissioning net asset value of zero and an accumulated liability of \$145.6 million for the generating plant, and for the Independent Spent Fuel Storage Installation (ISFSI) a net asset value of \$1.0 million and an accumulated liability of \$2.4 million.

As of June 30, 2016, Nuclear Project No. 1 has a capital decommissioning net asset value of zero and an accumulated liability of \$9.8 million. A downward revision in future restoration estimates reduced the ARO liability \$7.1 million.

Under the current agreement, Nine Canyon has the obligation to remove the generation facilities upon expiration of the lease agreement if requested by the lessors. The Nine Canyon Wind Project recorded the related original ARO in FY 2003 for Phase I and II. Phase III began commercial operation in FY 2008 and the original ARO was adjusted to reflect the change in scenario for the retirement obligation, with current lease agreements reflecting a 2030 expiration date. As of June 30, 2016, Nine Canyon has a capital



decommissioning net asset value of \$0.5 million and an accumulated liability of \$1.5 million.

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

The following table describes the changes to Energy Northwest's ARO liabilities for the year ended June 30, 2016. The balance is included in the accounts payable and accrued expense balances for each unit. ISFSI is included in Columbia's balance:

#### Asset Retirement Obligation (Dollars in thousands)

Columbia		
Balance at Beginning of the Year	\$	138,317
Current year accretion expense		7,234
ARO Ending Balance	\$	145,551
ISFSI		
Balance at Beginning of the Year	\$	2,298
Current year accretion expense		111
ARO Ending Balance	\$	2,409
Nuclear Project No. 1		
Balance at Beginning of the Year	\$	16,716
Current year accretion expense		96
Revision in future restoration estimates		(7,062)
ARO Ending Balance	\$	9,750
Nine Canyon Wind Project		
Balance at Beginning of the Year	\$	1,396
Current year accretion expense		58
ARO Ending Balance	\$	1,454

#### NOTE 10 - Decommissioning and Site Restoration

The NRC has issued rules to provide guidance to licensees of operating nuclear plants on providing financial assurance for decommissioning plants at the end of each plant's operating life (See Note 9). In September 1998, the NRC approved and published its "Final Rule on Financial Assurance Requirements for Decommissioning Power Reactors." As provided in this rule, each power reactor licensee is required to report to the NRC the status of its decommissioning funding for each reactor or share of a reactor it owns. This reporting requirement began March 31, 1999, and reports are required every two years thereafter. Energy Northwest submitted its most recent report to the NRC for Columbia decommissioning in March 2015 and ISFSI decommissioning in December 2015.

Energy Northwest's estimate of Columbia's decommissioning costs in FY 2015 dollars is \$467.7 million (Columbia - \$461.6 million and ISFSI - \$6.1 million). This estimate, which is updated biannually with the last update in fiscal year 2015, is based on the NRC minimum amount (based on NRC 2013 study) required to demonstrate reasonable financial assurance for a boiling water reactor with the power level of Columbia.

Site restoration requirements for Columbia are governed by the site certification agreements between Energy Northwest and the state of Washington and by regulations adopted by the EFSEC. Energy Northwest submitted a site restoration plan for Columbia that was approved by the EFSEC on June 12, 1995. Energy Northwest's current estimate of Columbia's site restoration costs is \$102.7 million in constant dollars and is updated biannually along with the decommissioning estimate. Both decommissioning and site restoration estimates are used as the basis for establishing a funding plan that includes escalation and interest earnings until decommissioning activities occur. Payments to the decommissioning and site restoration funds have been made since January 1985. The fair value of cash and investment securities in the decommissioning and site restoration funds as of June 30, 2016, totaled approximately \$234.3 million and \$38.4 million, respectively. The fair value of cash and investment securities in the site restoration fund for Nuclear Project No. 1 is \$33.4 million. Since September 1996, these amounts have been held in an irrevocable trust that recognizes asset retirement obligations according to the fair value of the dismantlement and restoration costs of certain Energy Northwest assets. The trustee is a domestic U.S. bank that certifies the funds for use when needed to retire the asset. The trusts are funded by BPA ratepayers and managed by BPA in accordance with NRC requirements and site certification agreements; the balances in these external trust funds are not reflected on Energy Northwest's balance sheet.

Energy Northwest established a decommissioning and site restoration plan for the ISFSI in 1997. Beginning in FY 2003, an annual contribution is made to the Energy Northwest Decommissioning Fund. These contributions are held by Energy Northwest and not held in trust by BPA. The fair market value of cash and investments as of June 30, 2016, is \$1.5 million. These contributions will occur through FY 2044; cash payments will begin for decommissioning and site restoration in FY 2045.

#### NOTE 11 - Commitments and Contingencies

##### Nuclear Project No. 1 Termination

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

##### Nuclear Project No. 3 Termination

In June 1994, the Nuclear Project No. 3 Owners Committee voted unanimously to terminate the project. In 1995, a group from Grays Harbor County, Washington, formed the Satsop Redevelopment Project (SRP). The SRP introduced legislation with the state of Washington under Senate Bill No. 6427, which passed and was signed by the governor of the state of Washington on March 7, 1996. The legislation enables local governments and Energy Northwest to negotiate an arrangement allowing such local governments to assume an interest in the site on which Nuclear Project No. 3 exists for economic development by transferring ownership of all or a portion of the site to local government entities. This legislation also provides for the local government entities to assume regulatory responsibilities for

site restoration requirements and control of water rights. In February 1999, Energy Northwest entered into a transfer agreement with the SRP to transfer the real and personal property at the site of Nuclear Project No. 3. The SRP also agreed to assume regulatory responsibility for site restoration. Therefore, Energy Northwest is no longer responsible to the state of Washington and EFSEC for any site restoration costs.

### **Nuclear Project No. 1 Site Restoration**

Site restoration requirements for Nuclear Project No. 1 are governed by site certification agreements between Energy Northwest and the state of Washington and regulations adopted by EFSEC, and a lease agreement with DOE. Energy Northwest submitted a site restoration plan for Nuclear Project No. 1 to EFSEC on March 8, 1995, which complied with EFSEC requirements to remove the assets and restore the sites by demolition, burial, entombment, or other techniques such that the sites pose minimal hazard to the public. EFSEC approved Energy Northwest's site restoration plan on June 12, 1995. In its approval, EFSEC recognized that there is uncertainty associated with Energy Northwest's proposed plan. Accordingly, EFSEC's conditional approval provides for additional reviews once the details of the plan are finalized. A new plan with additional details was submitted in FY 2003. This submittal was used to calculate the ARO discussed in Note 10.

### **Business Development Fund Interest in Northwest Open Access Network**

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

The Business Development Fund has a 6.66 percent interest in NoaNet's revenue bonds with a potential mandate of an additional 25 percent step-up possible for a maximum 6.83 percent on outstanding revenue bonds. NoaNet has 2.8 million outstanding in revenue bonds, based on their December 30, 2015 audited financial statements. The members are obligated to pay the principal and interest on the bonds when due in the event and to the extent that NoaNet's Gross Revenue (after payment of costs of Maintenance and Operation) is insufficient for this purpose. The maximum principal share (based on step-up potential) that the Business Development Fund could be required to pay is \$.2 million. The Business Development Fund is not obligated to reimburse losses of NoaNet unless an assessment is made to NoaNet's members based on a two-thirds vote of the membership. In FY 2016 the Business Development Fund was not required to contribute to NoaNet. NoaNet intends to pay off the revenue bonds by December 31, 2016 relieving Energy Northwest of any potential financial obligation. Financial statements for NoaNet may be obtained by writing to: Northwest Open Access Network, NoaNet Headquarters, 5802 Overlook Ave. NE, Tacoma, WA 98422. Any information obtained from NoaNet is the responsibility of NoaNet. Baker Tilly has not audited or examined any information available from NoaNet; accordingly, Baker Tilly does not express an opinion or any other form of assurance with respect thereto.

### **Other Litigation and Commitments**

Energy Northwest is a party to various claims and legal actions arising in the normal course of business. The following is a discussion of certain litigation and claims relating to the Net Billed Projects to which Energy Northwest is a party:

Energy Northwest contracted with Bechtel Power Corporation ("Bechtel") for a hardened containment vent plant design change. Energy Northwest concluded Bechtel's contract. Bechtel submitted a contract claim to Energy Northwest for an additional \$6,262,057. Energy Northwest submitted a contract claim against Bechtel totaling \$3,323,556. The parties reached final settlement of the claim in May, 2016 whereby Energy Northwest agreed to pay Bechtel the sum of \$2,400,000 and dismissed its claims. The Executive Board approved the settlement in June, 2016.

Energy Northwest v. United States of America (DOE). On August 28, 2014, Energy Northwest and the United States entered into a Settlement Agreement ("Settlement Agreement") under Energy Northwest v. United States, No. 11-447C (Fed. Cl. filed July 7, 2011). In addition to settling litigation for the U.S. Department of Energy's ("DOE") continuing breach of contract for its failure to dispose of spent nuclear fuel and high-level radioactive waste, the Settlement Agreement provided that Energy Northwest could be reimbursed by the government for its allowable expenses, as defined in the Settlement Agreement, related to DOE's continued failure to accept used nuclear fuel under the Standard Contract Energy Northwest signed with DOE in 1983. The Settlement Agreement also settled the litigation filed by Energy Northwest in the U.S. Court of Federal Claims in July 2011 for damages incurred between September 1, 2006, and June 30, 2012 in the amount of \$23.6 million. Energy Northwest received \$48.7 million in 2011 under the first action that resulted in a Stipulation for Entry of Final Judgment in Favor of Plaintiff Energy Northwest which covered damages prior to September 1, 2006.

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

Under the Settlement Agreement, Energy Northwest submitted its first claim to DOE by the deadline. The first claim covers Fiscal Years 2013 through 2014 (a catch-up claim). Energy Northwest was reimbursed \$15,143,888.14 in September 2015. In early 2016, Energy Northwest submitted its second claim for costs incurred from July 1, 2014 to June 30, 2015. DOE has agreed to pay and Energy Northwest has accepted the sum of \$4,531,664 in full satisfaction of the claim for costs incurred by Energy Northwest for the time period. Payment from the Judgment Fund is expected in fall 2016.

Energy Northwest v. SPX Heat Transfer Inc., (CV13-5151-SAB). Energy Northwest filed suit against SPX Heat Transfer Inc. ("SPX") on December 24, 2013, seeking the recovery of damages relating to SPX's breach of contract and amended the lawsuit on March 18, 2014. In February 2009, SPX's predecessor in interest Yuba Heat Transfer LLC and Energy Northwest entered into a contract for the design, engineering, fabrication and delivery of the condenser modules and related components for Columbia. In the



lawsuit, Energy Northwest contends that SPX breached the contract (1) by failing to meet contract specifications for condenser backpressure and sub-cooling; (2) by failing to provide work that was free from defect in design and fabrication; and (3) by failing to meet the express warranties contained in the contract. No specific amount of damages has been demanded in the complaint. SPX responded to the lawsuit and included a counterclaim for damages. In its counterclaim, SPX sought the balance of the contract amount, which is \$2,070,334 plus accumulated interest. Additionally, SPX demanded recovery of some or all of a portion of the incentive fee contained in the contract as determined by the formula in the contract with no specific amount demanded. Energy Northwest denied that it owes SPX the contract balance or any amount of the performance incentive. On July 22, 2014, Energy Northwest made an offer of settlement to SPX in accordance with RCW 39.04.240 and 4.84.260 and the Federal Rules of Civil Procedure, Rule 68. In the offer of settlement, Energy Northwest agreed to accept a judgment from SPX for all claims including but not limited to SPX's counterclaims, for \$0.00. On July 31, 2014, SPX also made an offer of settlement in which it agreed to resolve the case brought by Energy Northwest by paying Energy Northwest \$0.00 dollars on all Energy Northwest claims, and would accept the sum of \$2,070,334 as complete and final payment on all SPX claims. Each of the parties has rejected the offers of settlement.

In November 2015 after extensive discovery and pre-trial motions by both parties, SPX and Energy Northwest negotiated a settlement agreement that resolved the litigation. The settlement agreement was ratified by Energy Northwest's Executive Board in December 2015 and the court entered an order of dismissal on December 17, 2015. In the settlement agreement, SPX dismissed all of its counterclaims and agreed to provide to Energy Northwest a credit for goods and services to be used by 2021. Energy Northwest agreed to dismiss its claims against SPX, and both parties agreed to pay their own costs and attorney's fees.

## **NOTE 12 - Nuclear Fuels**

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

DOE and Energy Northwest have entered into an agreement for the transfer of the DUF6 to Energy Northwest. The agreement addresses delivery and transfer of title of the DUF6, return of residual DUF6 after enrichment, storage of the EUP, and payment of DOE's costs. The costs for the handling of the DUF6 and storage of the EUP were anticipated to be \$5 million or less. As of December 31, 2015, Energy Northwest had removed all EUP stored with DOE to a commercial facility in New Mexico. Energy Northwest had recorded \$0.9 million in total charges to the DOE for delivery of the DUF6, storage and loading of the EUP, which is capitalized as cost of the fuel being purchased.

Under the Depleted Uranium Enrichment Program (DUEP), Energy Northwest purchased from USEC all of the Separative Work Units (SWU)

contained in the EUP. Upon finalization of the program, Energy Northwest had purchased a total of 481.6 MTU of EUP from USEC at a cost of \$687.2 million, which is recorded in nuclear fuel, net of accumulated amortization, as of June 30, 2013. There have been no additional purchases since the conclusion of the program in May of 2013.

Energy Northwest and TVA have entered into an agreement for the sale and purchase of a portion of the SWU and Feed Component of the EUP. The sales under the agreement are expected to total approximately \$730 million. The second delivery to TVA was on August 8, 2015 and the payment was received September 8, 2015 for \$48.1 million. The total gain reported for the sale was \$8.5 million reported on the Statements of Revenues, Expenses, and Changes in Net Position under Other. The remaining sales under this agreement are scheduled to take place between September 2016 and 2022.

Energy Northwest has a contract with DOE that requires DOE to accept title and dispose of spent nuclear fuel. Although the courts have ruled that DOE had the obligation to accept title to spent nuclear fuel by January 31, 1998, currently, there is no known date established when DOE will fulfill this legal obligation and begin accepting spent nuclear fuel. On November 19, 2013, the D.C. Circuit Court ordered the DOE to submit to Congress a proposal to reduce the current waste disposal fee to zero, unless and until there is a viable disposal program. On January 3, 2014, the DOE filed a petition for rehearing which was denied by the D.C. Circuit Court on March 18, 2014. Also, on January 3, 2014, the DOE submitted a proposal to Congress to reduce the current waste disposal fee to zero. On May 9, 2014, the DOE notified Energy Northwest that the waste disposal fee will remain in effect through May 15, 2014, after which time the fee will be set to zero. Until such time as a new fee structure is in effect, Energy Northwest will not accrue any further costs related to waste disposal fees. When the fuel is placed in the reactor the fuel cost is amortized to operating expense on the basis of quantity of heat produced for generation of electric energy. The amount moved to spent fuel for cooling decreased \$66.0 million. Fees for disposal of fuel in the reactor are expensed as part of the fuel cost.

The current period operating expense for Columbia was \$48.8 million for amortization of fuel used in the reactor. There were no DOE spent fuel disposal charges.

Energy Northwest has an Independent Spent Fuel Storage Installation (ISFSI), which is a temporary dry cask storage facility to be used until DOE completes its plan for a national repository. ISFSI will store the spent fuel in commercially available dry storage casks on a concrete pad at the Columbia site. There were no casks issued from inventory in fiscal year 2016. Spent fuel is transferred from the spent fuel pool to the ISFSI periodically to allow for future refueling. The next ISFSI loading campaign is scheduled for March of 2018 for a total of 9 casks.

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	PERS 1			PERS 2/3		
Measurement Date Ended June 30	2015	2014	2013	2015	2014	2013
Proportion of the net pension liability (asset)	1.24%	1.22%	1.19%	1.60%	1.55%	1.55%
Proportionate share of the net pension liability (asset)	\$ 65,005	\$ 61,291	\$ 71,094	\$ 57,017	\$ 31,410	\$ 66,351
Covered-employee payroll	310	439	772	128,944	144,158	139,637
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	20969.35%	13961.50%	9209.07%	44.22%	21.79%	47.52%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	61.19%	55.70%	89.20%	93.29%	84.60%

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

	PERS 1										
Fiscal year ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$35	\$32	\$43	\$57	\$70	\$88	\$104	\$245	\$202	\$175	\$113
Contributions in relation to the contractually required contribution subtotal	(35)	(32)	(43)	(57)	(70)	(88)	(104)	(245)	(202)	(175)	(113)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 310	\$ 351	\$ 439	\$ 772	\$ 996	\$ 1,610	\$ 1,933	\$ 2,894	\$ 3,297	\$ 3,964	\$ 4,785
Contributions as a percentage of covered employee payroll	11.29%	9.12%	9.79%	7.38%	7.03%	5.47%	5.38%	8.47%	6.13%	4.41%	2.36%

	PERS 2/3										
Fiscal year ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 14,306	\$ 12,787	\$ 11,906	\$ 9,041	\$ 8,760	\$ 6,533	\$ 6,225	\$ 9,522	\$ 6,016	\$ 4,505	\$ 2,016
Contributions in relation to the contractually required contribution	(14,306)	(12,787)	(11,906)	(9,041)	(8,760)	(6,533)	(6,225)	(9,522)	(6,016)	(4,505)	(2,016)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 128,944	\$ 154,080	\$ 144,158	\$ 139,637	\$ 134,777	\$ 133,276	\$ 123,367	\$ 124,301	\$ 105,464	\$ 104,971	\$ 97,117
Contributions as a percentage of covered employee payroll	11.09%	8.30%	8.26%	6.47%	6.50%	4.90%	5.05%	7.66%	5.70%	4.29%	2.08%
PERS Plan 1 UAAL*	\$ 6,106	\$ 5,679	\$ 5,342	\$ 3,021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

### Notes to Schedules

Energy Northwest implemented GASB 68 for the year ended June 30, 2015. There were no changes in actuarial assumptions between the valuation date of June 30, 2013 and the measurement date of June 30, 2014. Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report rolled forward to the current measurement date of June 30, 2015.

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





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**ENERGY NORTHWEST**