

NEW ISSUES
BOOK ENTRY ONLY

RATINGS: Moody's: Aaa
Standard & Poor's: AAA

In the opinion of O'Melveny & Myers LLP, Bond Counsel, assuming the accuracy of certain representations and compliance by the District with certain tax covenants described herein, the interest and original issue discount ("OID"), if any, on the Series 1999A Bonds and Series 1999B Bonds is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions (except with respect to any Series 1999A Bond (the "AMT Bonds") for any period of time during which such AMT Bonds are (i) held by a person who is a "substantial user", within the meaning of Section 147(a) (1) of the Internal Revenue Code of 1986, as amended (the "Code"), of the facilities financed or refinanced with the AMT Bonds, or (ii) by any "related person" of a substantial user within the meaning of Section 147(a) (2) of the Code). In addition, Bond Counsel is of the opinion that the AMT Bonds (but not the Series 1999B Bonds) are "specified private activity bonds" and, therefore, the interest and OID, if any, on the AMT Bonds will be treated as specific items of tax preference for purposes of the Code's alternative minimum tax provisions. Further, interest paid with respect to the Series 1999B Bonds is included in computation of certain federal taxes on corporations. See "TAX EXEMPTION" herein.

**Public Utility District No. 1
of Douglas County, Washington
Wells Hydroelectric Revenue Bonds**

\$10,290,000
Series 1999A
(AMT)

\$6,275,000
Series 1999B

Dated: November 1, 1999

Due: September 1, as shown on the inside cover

The Bonds are issuable only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. The Bond Fund Trustee, currently The Chase Manhattan Bank, N.A., is the Paying Agent and Registrar for the Bonds.

Interest on the Bonds, first payable on March 1, 2000 and thereafter semiannually on March 1 and September 1 of each year, and principal on the Bonds are payable to DTC or its nominee, which in turn is obligated to remit such principal and interest to its broker-dealer Participants, which are required to in turn remit such principal and interest to the Beneficial Owners of the Bonds, as described under Appendix G - "BOOK-ENTRY SYSTEM."

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.



The Bonds are subject to optional and mandatory redemption by the District. See "DESCRIPTION OF THE BONDS."

Maturity Schedule on Inside Cover

The principal of, premium, if any, and interest on the Bonds are payable solely from and secured by a pledge of and lien on the revenues of the District's Wells Hydroelectric Project on a parity with \$168,720,000 aggregate principal amount of outstanding Wells Hydroelectric Revenue Bonds and any bonds issued on a parity with such bonds. Such revenues include all payments attributable to the Wells Hydroelectric Project to be made to the District by the Power Purchasers under certain Power Sales Contracts which expire on August 31, 2018 and payments, if any, to be made by the District's Electric Distribution System. No contracts currently are in place for the sale of output of the Wells Project after August 31, 2018. Consequently, after August 31, 2018 there is no assurance that revenues would be available to pay operating expenses or debt service on the Series 1999A Bonds and the Series 1999B Bonds or Additional Bonds if the Wells Project for any reason is not operating adequately. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Series 1999A Bonds and Series 1999B Bonds are being issued to finance certain capital improvements to the Wells Project, to finance the Reserve Account Requirement of the Bonds and to pay costs of issuance.

The Bonds are special limited obligations of the District and are not obligations of the State of Washington or any political subdivision other than the District, and neither the full faith and credit of the District nor the taxing power of the District or the State is pledged to the payment thereof.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and received by the Underwriter and are subject to the approval of legality by O'Melveny & Myers LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Preston Gates & Ellis LLP, Seattle, Washington, and certain legal matters will be passed upon for the District by its counsel, Jeffers, Danielson, Sonn & Aylward, P.S., Wenatchee, Washington. It is expected that the Series 1999A Bonds and Series 1999B Bonds will be available for delivery through DTC in New York, New York, on or about November 2, 1999.

Dated: October 26, 1999

Banc of America Securities LLC

Owners of the Bonds or that they will do so on a timely basis. Actual receipt of such notice by the registered owner of any Bond shall not be a condition precedent to the redemption of such Bond. Notice of redemption shall also be sent to the state information depository for the State of Washington (if any) and to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board. Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the Bonds called are not redeemed when presented pursuant to the call.

Open Market Purchase

The District reserves the right to purchase any of the Bonds on the open market at any time at any price.

PURPOSE AND APPLICATION OF BOND PROCEEDS

Capital Improvement Projects

Proceeds of the Series 1999A Bonds and Series 1999B Bonds will be used to pay for the following capital improvements associated with the Wells Project, to pay for costs of issuance of the Series 1999A Bonds and Series 1999B Bonds and certain other costs and to fund the Reserve Account for the Series 1999A Bonds and Series 1999B Bonds.

Property Acquisition. Recent land surveys have indicated that some erosion has occurred on the Wells Reservoir, thereby necessitating additional shoreline protection or land acquisition. Additionally, these surveys have indicated that there were some errors in the original survey that will necessitate acquiring additional lands. The current estimate of the land acquisition cost is approximately \$12,000,000. See "THE WELLS PROJECT - Eminent Domain Proceedings" herein.

Recreation Improvements. The Recreation Action Plan Improvements will be performed to meet the changing needs for public recreation facilities at the Wells Project. In accordance with Article 51 of the Federal Energy Regulatory Commission ("FERC") license for the Wells Project, the District produced a study of the need for recreation facilities at the Wells Project and a 1982 Public Use and Recreation Plan. FERC approval of the plan required updated studies of recreation needs every five years. The 1997 update is the third five-year update of the Recreation Action Plan. The Plan includes improvements to parks at the cities of Pateros, Brewster and Bridgeport on the Wells Reservoir, erosion remediation along shorelines adjacent to the parks, improvements to streambank fishing sites on the Methow River, and low impact development of the 300 acre Chief Joseph State Park Island on the Wells Reservoir between Brewster and Bridgeport. Approximately \$2 million of proceeds of the Series 1999A Bonds and Series 1999B Bonds will be used for recreation improvements.

Habitat Conservation Plan. The District is developing a Habitat Conservation Plan ("HCP") with Washington State and federal fisheries agencies, three Indian Tribes and an environmental entity. The purposes of the HCP are to avoid listing of anadromous fish under the federal Endangered Species Act and, in the event of a listing, to allow continued operation of the Wells Project. The HCP establishes a tributary fund as partial compensation for unavoidable fish mortality due to the Wells Project. The District's initial contribution to this tributary fund is anticipated to be approximately \$1,000,000. See "THE WELLS PROJECT - Endangered Species Issues" herein.

Sources and Uses of Funds

The proceeds from the Series 1999A Bonds and Series 1999B Bonds (less accrued interest) are estimated to be applied as follows:

<u>Source of Funds</u>	
Principal Amount of Series 1999A Bonds	\$ 10,290,000
Principal Amount of Series 1999B Bonds	6,275,000
Less: Original Issue Discount Series 1999A Bonds	(121,084)
Less: Original Issue Discount Series 1999B Bonds	<u>(55,045)</u>
Total Sources of Funds	\$ 16,388,871
 <u>Uses of Funds</u>	
Deposit to the 1999 Construction Fund	\$ 15,000,000
Deposit to Series 1999A and Series 1999B Reserve Account	957,552
Underwriter's Discount and Issuance Costs (1)	<u>431,319</u>
Total Uses of Funds	\$ 16,388,871

(1) Includes cost of bond insurance.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Revenues of the Wells Project

The principal of, premium, if any, and interest on the Bonds are special obligations of the District payable solely from the bond funds established with respect to the Bonds. The District has established a bond fund for the Series 1999A Bonds and Series 1999B Bonds. The money pledged to the bond funds established for the Bonds and the bond funds established for the Outstanding Wells Project Bonds is limited to the income, revenues, receipts and profits derived by the District through the ownership and operation by it of the Wells Project. The charge and lien on the revenues of the Wells Project for the payment of the Bonds are on a parity with the charge and lien on such revenues for the payment of the Outstanding Wells Bonds and any Additional Bonds. Each bond fund is pledged solely to the payment of the series of Wells Project Bonds with respect to which it was created.

Through August 31, 2018, Wells Project revenues are derived by the District from the Power Sales Contracts (as defined below) and from payments made by the District's Electric Distribution System. See "Revenues and Sale of Wells Project Output Through August 31, 2018" below.

After August 31, 2018, the existing Power Sales Contracts expire, and no contracts are currently in place for the sale of output of the Wells Project after that time. The final maturity of the Series 1999A Bonds and Series 1999B Bonds is September 1, 2029. Consequently, after 2018 there is no assurance that revenues would be available to pay operating expenses or debt service on the Series 1999A Bonds and the Series 1999B Bonds or Additional Bonds if the Wells Project for any reason is not operating adequately. See "Revenues and Sale of Wells Project Output After August 31, 2018" below.

Under the provisions of the Bond Resolution, the income, revenues, receipts and profits derived from the operation of the Wells Project, upon receipt by the District, shall immediately be subject to the lien of the pledge established by the Bond Resolution, without any physical delivery or further act, and the lien of such pledge is valid and binding as against any parties having claims of any kind in tort, contract or otherwise against the District irrespective of whether such parties have notice of such pledge.

The Bonds are special limited obligations of the District and are not obligations of the State of Washington or any political subdivision other than the District, and neither the full faith and credit of the District nor the taxing power of the District or the State is pledged to the payment thereof.