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# **WESTERN GENERATION AGENCY**

Wauna Cogeneration Project

Second Quarter Financial Statements – June 30, 2007

WESTERN GENERATION AGENCY  
WAUNA COGENERATION PROJECT

FINANCIAL STATEMENTS

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The following financial statements represent the financial position of the Western Generation Agency (the "Agency") as of June 30, 2007, and the changes in its financial position and its cash flows for the three months and six months then ended.

The Western Generation Agency has implemented a system of internal accounting procedures and controls to meet its responsibility for the integrity and objectivity of its financial statements related to the Wauna Cogeneration Project (the "Project"). The following financial statements have been prepared in conformity to generally accepted accounting principles for utilities and reflect, in the opinion of the Agency, a fair statement of the Agency's financial condition through the second quarter of 2007.

*Debbie Throop*

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Debbie Throop, Treasurer  
Western Generation Agency  
August 22, 2007

**WESTERN GENERATION AGENCY  
BALANCE SHEETS  
JUNE 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>	<u>DIFFERENCE</u>
<b>ASSETS</b>			
<i>CURRENT ASSETS</i>			
Cash and Cash Equivalents	\$ 2,451,564.15	\$ 1,783,380.62	\$ 668,183.53
Receivable	1,576,050.70	1,464,959.43	111,091.27
Prepaid Expenses	189,705.00	9,384.00	180,321.00
Investments for Debt Service-Restricted	2,233,234.52	2,795,053.67	(561,819.15)
EWEB Equity Return Fund-Restricted	-	783,328.84	(783,328.84)
Preliminary Investigation	-	273,504.20	(273,504.20)
<b>TOTAL CURRENT ASSETS</b>	<u>6,450,554.37</u>	<u>7,109,610.76</u>	<u>(659,056.39)</u>
<i>RESTRICTED CASH AND INVESTMENTS</i>			
Debt Service Reserve -Series A and B	5,017,901.12	5,510,157.40	(492,256.28)
Debt Service Reserve -Series C	586,869.93	-	586,869.93
Maintenance Fund	817,473.27	865,638.70	(48,165.43)
<b>TOTAL RESTRICTED CASH AND INVESTMENTS</b>	<u>6,422,244.32</u>	<u>6,375,796.10</u>	<u>46,448.22</u>
<i>PROPERTY, PLANT &amp; EQUIPMENT</i>			
Plant in Service	67,350,057.09	67,350,057.09	-
LESS: Accumulative Depreciation	(30,262,602.00)	(27,568,602.00)	(2,694,000.00)
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>	<u>37,087,455.09</u>	<u>39,781,455.09</u>	<u>(2,694,000.00)</u>
<i>UNAMORTIZED BOND COSTS, NET</i>			
	<u>2,172,259.50</u>	<u>686,347.80</u>	<u>1,485,911.70</u>
<b>TOTAL ASSETS</b>	<u>\$ 52,132,513.28</u>	<u>\$ 53,953,209.75</u>	<u>\$ (1,820,696.47)</u>
<b>LIABILITIES &amp; NET ASSETS</b>			
<i>CURRENT LIABILITIES</i>			
Accounts Payable	\$ 875,828.97	\$ 687,957.50	\$ 187,871.47
Accrued Property Taxes	-	-	-
Accrued Interest	1,387,731.20	1,739,778.53	(352,047.33)
Preferred Dividend Payable	115,788.56	508,098.87	(392,310.31)
Bonds Payable, Current Portion	2,800,000.00	2,200,000.00	600,000.00
<b>TOTAL CURRENT LIABILITIES</b>	<u>5,179,348.73</u>	<u>5,135,834.90</u>	<u>43,513.83</u>
<i>LONG TERM DEBT</i>			
	<u>52,950,306.70</u>	<u>43,660,530.32</u>	<u>9,289,776.38</u>
<b>TOTAL LIABILITIES</b>	<u>58,129,655.43</u>	<u>48,796,365.22</u>	<u>9,333,290.21</u>
<i>NET ASSETS</i>			
Invested in Capital Assets, Net of Related Debt	(18,662,851.61)	(6,079,075.23)	(12,583,776.38)
Restricted For:			
Debt Service	7,838,005.57	8,305,211.07	(467,205.50)
Major Maintenance	817,473.27	865,638.70	(48,165.43)
Equity Return - EWEB	-	783,328.84	(783,328.84)
Unrestricted	4,010,230.62	1,281,741.15	2,728,489.47
<b>TOTAL NET ASSETS</b>	<u>(5,997,142.15)</u>	<u>5,156,844.53</u>	<u>(11,153,986.68)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 52,132,513.28</u>	<u>\$ 53,953,209.75</u>	<u>\$ (1,820,696.47)</u>

**WESTERN GENERATION AGENCY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2007**  
**AND SIX MONTHS ENDED JUNE 30, 2006**

	<u>2007</u> <u>2ND QTR AMOUNT</u>	<u>2007</u> <u>Y-T-D AMOUNT</u>	<u>2006</u> <u>Y-T-D AMOUNT</u>	<u>Y-T-D</u> <u>DIFFERENCE</u>
<b>OPERATING REVENUES</b>				
Power Sales	\$ 3,491,107.94	\$ 5,435,952.27	\$ 5,173,958.21	\$ 261,994.06
<b>OPERATING EXPENSES</b>				
Operators Fee and Other Production Expense	349,066.00	379,738.00	58,986.00	320,752.00
Fuel Expense	18,405.00	144,416.00	146,372.00	(1,956.00)
Electricity Expense	243,625.00	486,366.00	479,914.00	6,452.00
Administrative Expense	11,610.29	21,984.78	29,201.95	(7,217.17)
Professional Services	6,073.70	6,073.70	6,217.22	(143.52)
Insurance Expense	57,189.44	126,745.48	121,830.74	4,914.74
General Expense	300.00	17,796.00	18,940.00	(1,144.00)
Depreciation Expense	673,500.00	1,347,000.00	1,347,000.00	-
Property Taxes Expense	47,335.10	94,670.21	92,873.47	1,796.74
Steam Efficiency Payment	107,926.01	215,852.00	333,564.00	(117,712.00)
<b>TOTAL OPERATING EXPENSES</b>	<u>1,515,030.54</u>	<u>2,840,642.17</u>	<u>2,634,899.38</u>	<u>205,742.79</u>
<b>INCOME FROM OPERATIONS</b>	<u>1,976,077.40</u>	<u>2,595,310.10</u>	<u>2,539,058.83</u>	<u>56,251.27</u>
<b>OTHER INCOME</b>				
Investment Earnings	137,665.24	235,424.14	220,147.62	15,276.52
<b>OTHER EXPENSES</b>				
Interest Expense and Related Amortization	729,473.33	1,458,946.64	1,765,388.98	(306,442.34)
Interest Expense on Cumulative Preferred Dividend	615.60	1,231.20	51,616.03	(50,384.83)
Loss on Equipment Disposal	-	-	-	-
<b>TOTAL OTHER EXPENSES</b>	<u>730,088.93</u>	<u>1,460,177.84</u>	<u>1,817,005.01</u>	<u>(341,550.65)</u>
<b>NET INCOME BEFORE CUMULATIVE PREFERRED DIVIDEND</b>	1,383,653.71	1,370,556.40	942,201.44	428,354.96
Cumulative Preferred Dividend	42,347.52	84,695.04	508,098.87	(423,403.83)
<b>NET INCOME</b>	<u>\$ 1,341,306.19</u>	<u>1,285,861.36</u>	<u>434,102.57</u>	<u>851,758.79</u>
Total Net Assets at beginning of Year		(7,283,003.51)	4,936,030.79	(12,219,034.30)
Distributions		-	-	-
Preferred Equity Distributions		-	(213,288.83)	213,288.83
<b>TOTAL NET ASSETS</b>		<u>\$ (5,997,142.15)</u>	<u>\$ 5,156,844.53</u>	<u>\$ (11,153,986.68)</u>

**WESTERN GENERATION AGENCY  
STATEMENTS OF CHANGES IN FUND NET ASSETS  
FOR THE SIX MONTHS ENDED JUNE 30, 2007  
AND THE YEAR ENDED DECEMBER 31, 2006**

	<u>Eugene Water &amp; Electric Board</u>		Clatskanie People's Utility District	<u>Totals</u>
	<u>Preferred Equity</u>	<u>Capital</u>	<u>Capital</u>	
Balance as of December 31, 2005	\$ 12,517,581.91	\$ (3,790,775.56)	\$ (3,790,775.56)	\$ 4,936,030.79
Preferred Equity Distributions	(10,366,596.97)	-	-	(10,366,596.97)
Partners Distributions	-	(200,000.00)	(200,000.00)	(400,000.00)
Income	-	(726,218.67)	(726,218.67)	(1,452,437.33)
Balance as of December 31, 2006	2,150,984.94	(4,716,994.23)	(4,716,994.23)	(7,283,003.51)
Preferred Equity Distributions	-	-	-	-
Partners Distributions	-	-	-	-
Income	-	642,930.68	642,930.68	1,285,861.36
Balance at June 30, 2007	<u>\$ 2,150,984.94</u>	<u>\$ (4,074,063.55)</u>	<u>\$ (4,074,063.55)</u>	<u>\$ (5,997,142.15)</u>

**WESTERN GENERATION AGENCY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b><u>Cash Flows from Operating Activities</u></b>		
Receipts from BPA	\$ 5,808,155.12	\$ 5,524,152.77
Payments to Georgia Pacific	(692,126.00)	(934,874.70)
Payment for Administrative and General Cost	(810,715.16)	(49,146.46)
Net cash provided by operating activities	4,305,313.96	4,540,131.61
<b><u>Cash Flows from Investing Activities</u></b>		
Net Redemption of Investments	(1,731,168.37)	896,306.19
Interest Received on Investments	221,907.14	217,726.62
Net cash provided by (used in) investing activities	(1,509,261.23)	1,114,032.81
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Interest Payments on Bonds	(501,628.47)	(1,760,662.50)
Bonds Principal Payments	(105,000.00)	(2,000,000.00)
Preferred Equity Dividends and Interest	-	(568,111.17)
Preferred Equity Distribution	-	(213,288.83)
Partners Distribution	-	-
Net cash used in capital and related financing	(606,628.47)	(4,542,062.50)
Net increase in cash and cash equivalents	2,189,424.26	1,112,101.92
Cash and cash equivalents at beginning of period	262,139.89	671,278.70
Cash and cash equivalents at end of period	\$ 2,451,564.15	\$ 1,783,380.62
Reconciliation of operating income to net cash provided by operating activities:		
Net Operating Revenue	\$ 2,595,310.10	\$ 2,539,058.83
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,347,000.00	1,347,000.00
(Increase) decrease in assets:		
Receivable	372,202.85	350,194.56
Prepayments and current assets	(14,150.81)	117,581.89
Increase (decrease) in liabilities:		
Accounts Payable	4,951.82	186,296.33
Property Tax	-	-
Net cash provided by operating activities	\$ 4,305,313.96	\$ 4,540,131.61

# **WESTERN GENERATION AGENCY**

## ***WAUNA COGENERATION PROJECT***

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### ***Management Discussion of Operations***

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**April 1, 2007 to June 30, 2007**

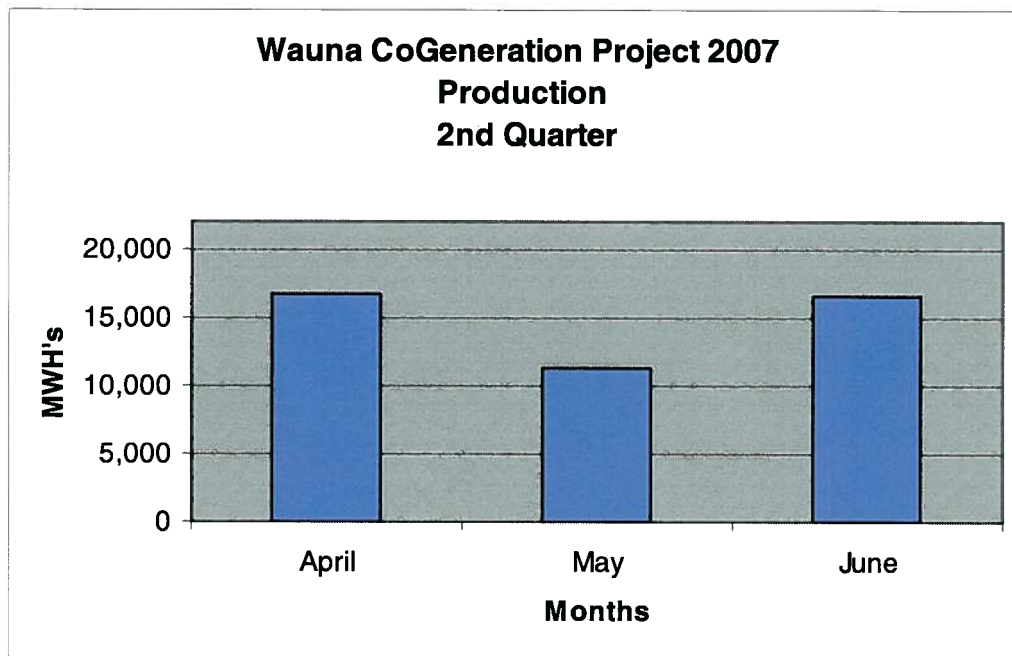
**WESTERN GENERATION AGENCY  
WAUNA COGENERATION PROJECT**

**MANAGEMENT DISCUSSION OF OPERATIONS**

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The following discussion will provide an overview of the operation of the Wauna Cogeneration Project (Project) between April 1, 2007 and June, 2007.

**Steam Turbine Generator.** The Project continued to operate through the first quarter of 2007. Bonneville Power Administration (Bonneville) did not displace the Project at any time during this quarter.



The Project produced and Bonneville purchased 44,357 Megawatt hours (MWh) of electricity in the second quarter. Second quarter production during 2006 was 41,625 MWh.

The unit was down for 258 hours in May due to the annual mill steam outage. Preventive maintenance was performed in the power plant taking advantage of the mill steam outage. Availability for the quarter was 88.2 %, which includes the annual mill outage. Availability of the unit would have been 100% had steam been available from the mill. In comparison, the North American Reliability Council (NERC) reports an average availability of 90.80 % for similar operating steam turbine-generators.

**Fluidized Bed Boiler (FBB).** The fluidized bed boiler continues to operate successfully. Under the terms of the Project agreements, all operation and maintenance expenses for the boiler are the

responsibility of Georgia Pacific.

***Future Expected Operation.*** The turbine generator is expected to run continuously through the third quarter of 2007. Paper Machine # 4 was taken off line on 8/1/2007. Paper Machine # 7 is expected to be operational in the four quarter.

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