

# **WESTERN GENERATION AGENCY**

**Wauna Cogeneration Project**

**Second Quarter Financial Statements – June 30, 2009**

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 as of June 30, 2009, 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 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 2009.

*Debbie Throop*

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Debbie Throop, Treasurer  
Western Generation Agency  
August 21, 2009

**WESTERN GENERATION AGENCY  
BALANCE SHEETS  
JUNE 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>	<u>DIFFERENCE</u>
<b>ASSETS</b>			
<i>CURRENT ASSETS</i>			
Cash and Cash Equivalents	\$ 1,240,125.39	\$ 2,358,785.16	\$ (1,118,659.77)
Receivable	1,299,461.77	1,187,836.49	111,625.28
Prepaid Expenses	63,064.00	31,499.00	31,565.00
Investments for Debt Service-Restricted	3,667,739.29	3,153,844.57	513,894.72
<b>TOTAL CURRENT ASSETS</b>	<u>6,270,390.45</u>	<u>6,731,965.22</u>	<u>(461,574.77)</u>
<i>RESTRICTED CASH AND INVESTMENTS</i>			
Debt Service Reserve -Series A and B	4,807,322.63	4,815,932.78	(8,610.15)
Maintenance Fund	660,313.51	1,148,019.27	(487,705.76)
<b>TOTAL RESTRICTED CASH AND INVESTMENTS</b>	<u>5,467,636.14</u>	<u>5,963,952.05</u>	<u>(496,315.91)</u>
<i>PROPERTY, PLANT &amp; EQUIPMENT</i>			
Plant in Service	67,350,057.09	67,350,057.09	-
LESS: Accumulative Depreciation	(35,650,602.00)	(32,956,602.00)	(2,694,000.00)
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>	<u>31,699,455.09</u>	<u>34,393,455.09</u>	<u>(2,694,000.00)</u>
<i>UNAMORTIZED BOND COSTS, NET</i>	1,789,844.24	1,981,051.87	(191,207.63)
<b>TOTAL ASSETS</b>	<u>\$ 45,227,325.92</u>	<u>\$ 49,070,424.23</u>	<u>\$ (3,843,098.31)</u>
<b>LIABILITIES &amp; NET ASSETS</b>			
<i>CURRENT LIABILITIES</i>			
Accounts Payable	\$ 365,043.28	\$ 402,775.09	\$ (37,731.81)
Accrued Property Taxes	-	-	-
Accrued Interest	1,217,818.82	1,300,587.78	(82,768.96)
Preferred Dividend Payable	454,568.67	285,178.62	169,390.05
Bonds Payable, Current Portion	2,980,000.00	2,880,000.00	100,000.00
<b>TOTAL CURRENT LIABILITIES</b>	<u>5,017,430.77</u>	<u>4,868,541.49</u>	<u>148,889.28</u>
<i>LONG TERM DEBT</i>			
	<u>44,277,677.96</u>	<u>48,828,992.33</u>	<u>(4,551,314.37)</u>
<b>TOTAL LIABILITIES</b>	<u>49,295,108.73</u>	<u>53,697,533.82</u>	<u>(4,402,425.09)</u>
<i>NET ASSETS</i>			
Invested in Capital Assets, Net of Related Debt	(15,558,222.87)	(17,315,537.24)	1,757,314.37
Restricted For:			
Debt Service	7,257,243.10	6,669,189.57	588,053.53
Major Maintenance	660,313.51	1,148,019.27	(487,705.76)
Unrestricted	3,572,883.45	4,871,218.81	(1,298,335.36)
<b>TOTAL NET ASSETS</b>	<u>(4,067,782.81)</u>	<u>(4,627,109.59)</u>	<u>559,326.78</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 45,227,325.92</u>	<u>\$ 49,070,424.23</u>	<u>\$ (3,843,098.31)</u>

**WESTERN GENERATION AGENCY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2009**  
**AND THE SIX MONTHS ENDED JUNE 30, 2008**

	<u>2009</u> <u>2ND QTR AMOUNT</u>	<u>2009</u> <u>Y-T-D AMOUNT</u>	<u>2008</u> <u>Y-T-D AMOUNT</u>	<u>Y-T-D</u> <u>DIFFERENCE</u>
<b><u>OPERATING REVENUES</u></b>				
Power Sales	\$ 2,175,522.00	\$ 5,038,165.95	\$ 4,803,726.76	\$ 234,439.19
<b><u>OPERATING EXPENSES</u></b>				
Operators Fee and Other Production Expense	33,450.00	66,900.00	63,798.00	3,102.00
Fuel Expense	-	72,867.00	45,027.00	27,840.00
Electricity Expense	251,475.00	506,178.00	495,285.00	10,893.00
Administrative Expense	9,603.28	18,110.02	15,302.86	2,807.16
Professional Services	19,736.05	25,064.90	6,937.43	18,127.47
Insurance Expense	46,335.00	92,670.00	121,604.00	(28,934.00)
General Expense	1,476.00	24,800.00	27,300.00	(2,500.00)
Depreciation Expense	673,500.00	1,347,000.00	1,347,000.00	-
Property Taxes Expense	38,487.58	76,975.12	95,137.56	(18,162.44)
Steam Efficiency Payment	148,849.00	260,476.00	182,079.04	78,396.96
<b>TOTAL OPERATING EXPENSES</b>	<u>1,222,911.91</u>	<u>2,491,041.04</u>	<u>2,399,470.89</u>	<u>91,570.15</u>
<b>INCOME FROM OPERATIONS</b>	<u>952,610.09</u>	<u>2,547,124.91</u>	<u>2,404,255.87</u>	<u>142,869.04</u>
<b><u>OTHER INCOME</u></b>				
Investment Earnings	9,480.32	14,936.37	153,895.55	(138,959.18)
<b><u>OTHER EXPENSES</u></b>				
Interest Expense and Related Amortization	624,473.33	1,248,946.64	1,359,071.64	(110,125.00)
Interest Expense on Cumulative Preferred Dividend	7,788.66	15,577.35	8,123.95	7,453.40
<b>TOTAL OTHER EXPENSES</b>	<u>632,261.99</u>	<u>1,264,523.99</u>	<u>1,367,195.59</u>	<u>(241,630.78)</u>
<b>NET INCOME BEFORE CUMULATIVE PREFERRED DIVIDEND</b>	329,828.42	1,297,537.29	1,190,955.83	106,581.46
Cumulative Preferred Dividend	84,695.03	84,695.03	84,695.04	(0.01)
<b>NET INCOME</b>	<u>\$ 245,133.39</u>	<u>1,212,842.26</u>	<u>1,106,260.79</u>	<u>106,581.47</u>
Total Net Assets at beginning of Year		(4,880,625.07)	(5,333,370.38)	452,745.31
Distributions		(400,000.00)	(400,000.00)	-
Preferred Equity Distributions		-	-	-
<b>TOTAL NET ASSETS</b>		<u>\$ (4,067,782.81)</u>	<u>\$ (4,627,109.59)</u>	<u>\$ 559,326.78</u>

**WESTERN GENERATION AGENCY  
STATEMENT OF CHANGES IN FUND NET ASSETS  
FOR THE SIX MONTHS ENDED JUNE 30, 2009  
AND FOR THE YEAR ENDED DECEMBER 31, 2008**

	<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, 2007	\$ 2,150,984.94	\$ (3,742,177.66)	\$ (3,742,177.66)	\$ (5,333,370.38)
Preferred Equity Distributions	-	-	-	-
Partners Distributions	-	(400,000.00)	(400,000.00)	(800,000.00)
Income	-	626,372.66	626,372.65	1,252,745.31
Balance as of December 31, 2008	2,150,984.94	(3,515,805.00)	(3,515,805.01)	(4,880,625.07)
Preferred Equity Distributions	-	-	-	-
Partners Distributions	-	(200,000.00)	(200,000.00)	(400,000.00)
Income	-	606,421.13	606,421.13	1,212,842.26
Balance at June 30, 2009	<u>\$ 2,150,984.94</u>	<u>\$ (3,109,383.87)</u>	<u>\$ (3,109,383.88)</u>	<u>\$ (4,067,782.81)</u>

**WESTERN GENERATION AGENCY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b><u>Cash Flows from Operating Activities</u></b>		
Receipts from BPA	\$ 4,646,421.08	\$ 5,388,477.07
Payments to Georgia Pacific	(756,986.00)	(710,998.00)
Payment for Administrative and General Cost	(304,378.83)	(68,797.27)
Net cash from operating activities	3,585,056.25	4,608,681.80
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of Investments	(12,290,422.39)	(8,040,528.75)
Proceeds from Investments	9,342,435.89	8,999,669.92
Interest Received on Investments	51,321.11	217,655.59
Net cash from investing activities	(2,896,665.39)	1,176,796.76
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Interest Payments on Bonds	(1,286,625.00)	(1,386,500.00)
Bond Principal Payments	(4,405,000.00)	(3,995,000.00)
Equity Distributions	(400,000.00)	(400,000.00)
Net cash from capital and related financing	(6,091,625.00)	(5,781,500.00)
Change in cash and cash equivalents	(5,403,234.14)	3,978.56
Cash and cash equivalents at beginning of period	10,116,914.27	3,952,874.41
Cash and cash equivalents at end of period	\$ 4,713,680.13	\$ 3,956,852.97
<b>Reconciliation to Balance Sheet</b>		
Cash and Cash Equivalents	\$ 1,240,125.39	\$ 2,358,785.16
Restricted Cash Equivalents	3,473,554.74	1,598,067.81
	\$ 4,713,680.13	\$ 3,956,852.97
<b>Reconciliation of operating income to net cash from operating activities:</b>		
Net Operating Revenue	\$ 2,547,124.91	\$ 2,404,255.87
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	1,347,000.00	1,347,000.00
(Increase) decrease in assets:		
Receivable	(391,744.87)	584,750.31
Prepayments and current assets	78,774.12	141,743.56
Increase (decrease) in liabilities:		
Accounts Payable	3,902.09	130,932.06
Property Tax	-	-
Net cash from operating activities	\$ 3,585,056.25	\$ 4,608,681.80

**WESTERN GENERATION AGENCY**

***WAUNA COGENERATION  
PROJECT***

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***Management Discussion of Operations***

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**April 1, 2009 to June 30, 2009**

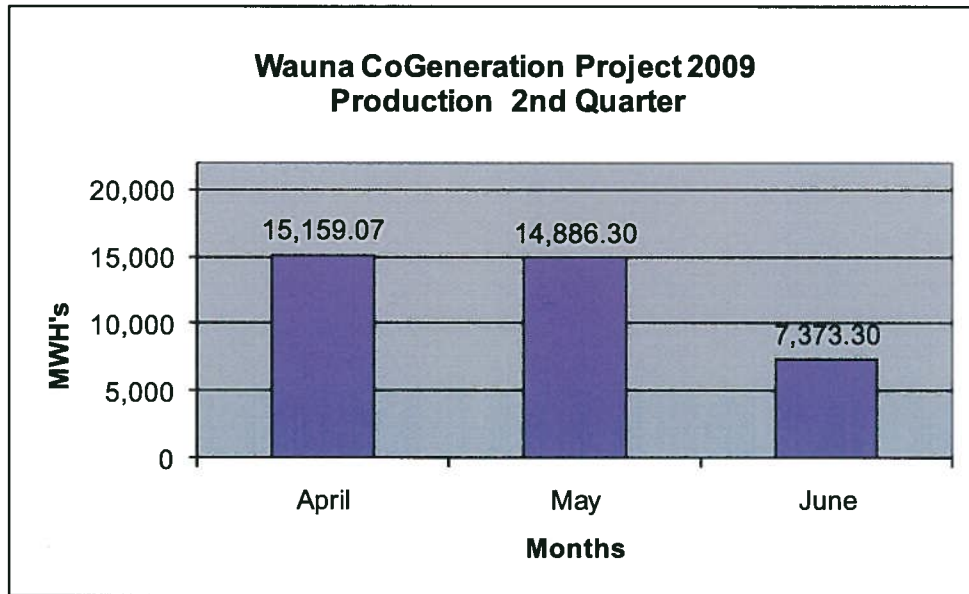
**WESTERN GENERATION AGENCY  
WAUNA COGENERATION PROJECT**

**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, 2009 to June 30, 2009.

**Turbine-Generator.** The Project continued to operate through the second quarter of 2009. Bonneville Power Administration (Bonneville) did not displace the Project at any time during this quarter.



The Project produced and Bonneville purchased 37,418 megawatt hours (MWhrs) of electricity in the second quarter. As a comparison, first quarter production during 2009 was 49,237 and the last quarter of 2008 was 43,434 MWhrs.

Availability for the second quarter was 100%. The 289 hour planned outage in June does not reduce the availability calculation. 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. Due to high ambient temperatures, the boiler pressure was reduced to 40 KPPH as production reached maximum freeblow steam capacity.

**Future Expected Operation.** The Wauna mill is planning a 24-hour outage September 3, 2009. The turbine will be off-line for that period. There are no other scheduled turbine outages for the 2<sup>nd</sup> quarter.