

# **WESTERN GENERATION AGENCY**

Wauna Cogeneration Project

Second Quarter Financial Statements – June 30, 2008

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, 2008, 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 2008.

*Debbie Throop*

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Debbie Throop, Treasurer  
Western Generation Agency  
August 4, 2008

**WESTERN GENERATION AGENCY  
BALANCE SHEETS  
JUNE 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>	<u>DIFFERENCE</u>
<b>ASSETS</b>			
<i>CURRENT ASSETS</i>			
Cash and Cash Equivalents	\$ 2,358,785.16	\$ 2,861,972.15	\$ (503,186.99)
Receivable	1,187,836.49	1,576,050.70	(388,214.21)
Prepaid Expenses	31,499.00	189,705.00	(158,206.00)
Investments for Debt Service-Restricted	<u>3,153,844.57</u>	<u>2,820,104.45</u>	<u>333,740.12</u>
<b>TOTAL CURRENT ASSETS</b>	<u>6,731,965.22</u>	<u>7,447,832.30</u>	<u>(715,867.08)</u>
<i>RESTRICTED CASH AND INVESTMENTS</i>			
Debt Service Reserve -Series A and B	4,815,932.78	5,017,901.12	(201,968.34)
Maintenance Fund	<u>1,148,019.27</u>	<u>817,473.27</u>	<u>330,546.00</u>
<b>TOTAL RESTRICTED CASH AND INVESTMENTS</b>	<u>5,963,952.05</u>	<u>5,835,374.39</u>	<u>128,577.66</u>
<i>PROPERTY, PLANT &amp; EQUIPMENT</i>			
Plant in Service	67,350,057.09	67,350,057.09	-
LESS: Accumulative Depreciation	<u>(32,956,602.00)</u>	<u>(30,262,602.00)</u>	<u>(2,694,000.00)</u>
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>	<u>34,393,455.09</u>	<u>37,087,455.09</u>	<u>(2,694,000.00)</u>
<i>UNAMORTIZED BOND COSTS, NET</i>			
	<u>1,981,051.87</u>	<u>2,172,259.50</u>	<u>(191,207.63)</u>
<b>TOTAL ASSETS</b>	<u>\$ 49,070,424.23</u>	<u>\$ 52,542,921.28</u>	<u>\$ (3,472,497.05)</u>
<b>LIABILITIES &amp; NET ASSETS</b>			
<i>CURRENT LIABILITIES</i>			
Accounts Payable	\$ 402,775.09	\$ 967,842.97	\$ (565,067.88)
Accrued Property Taxes	-	-	-
Accrued Interest	1,300,587.78	1,387,731.20	(87,143.42)
Preferred Dividend Payable	285,178.62	115,788.56	169,390.06
Bonds Payable, Current Portion	<u>2,880,000.00</u>	<u>2,800,000.00</u>	<u>80,000.00</u>
<b>TOTAL CURRENT LIABILITIES</b>	4,868,541.49	5,271,362.73	(402,821.24)
<i>LONG TERM DEBT</i>			
	<u>48,828,992.33</u>	<u>52,950,306.70</u>	<u>(4,121,314.37)</u>
<b>TOTAL LIABILITIES</b>	<u>53,697,533.82</u>	<u>58,221,669.43</u>	<u>(4,524,135.61)</u>
<i>NET ASSETS</i>			
Invested in Capital Assets, Net of Related Debt	(17,315,537.24)	(18,662,851.61)	1,347,314.37
<i>Restricted For:</i>			
Debt Service	7,588,053.35	7,838,005.57	(249,952.22)
Major Maintenance	1,148,019.27	817,473.27	330,546.00
Unrestricted	<u>3,952,355.03</u>	<u>4,328,624.62</u>	<u>(376,269.59)</u>
<b>TOTAL NET ASSETS</b>	<u>(4,627,109.59)</u>	<u>(5,678,748.15)</u>	<u>1,051,638.56</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 49,070,424.23</u>	<u>\$ 52,542,921.28</u>	<u>\$ (3,472,497.05)</u>

**WESTERN GENERATION AGENCY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2008**  
**AND THE SIX MONTHS ENDED JUNE 30, 2007**

	<u>2008</u> <u>2ND QTR AMOUNT</u>	<u>2008</u> <u>Y-T-D AMOUNT</u>	<u>2007</u> <u>Y-T-D AMOUNT</u>	<u>Y-T-D</u> <u>DIFFERENCE</u>
<b>OPERATING REVENUES</b>				
Power Sales	\$ 2,093,287.94	\$ 4,803,726.76	\$ 5,435,952.27	\$ (632,225.51)
<b>OPERATING EXPENSES</b>				
Operators Fee and Other Production Expense	31,899.00	63,798.00	61,344.00	2,454.00
Fuel Expense	335.00	45,027.00	144,416.00	(99,389.00)
Electricity Expense	246,891.00	495,285.00	486,366.00	8,919.00
Administrative Expense	6,517.12	15,302.86	21,984.78	(6,681.92)
Professional Services	6,899.93	6,937.43	6,073.70	863.73
Insurance Expense	54,801.98	121,604.00	126,745.48	(5,141.48)
General Expense	3,000.00	27,300.00	17,796.00	9,504.00
Depreciation Expense	673,500.00	1,347,000.00	1,347,000.00	-
Property Taxes Expense	47,568.78	95,137.56	94,670.21	467.35
Steam Efficiency Payment	101,759.03	182,079.04	215,852.00	(33,772.96)
<b>TOTAL OPERATING EXPENSES</b>	<u>1,173,171.84</u>	<u>2,399,470.89</u>	<u>2,522,248.17</u>	<u>(122,777.28)</u>
<b>INCOME FROM OPERATIONS</b>	<u>920,116.10</u>	<u>2,404,255.87</u>	<u>2,913,704.10</u>	<u>(509,448.23)</u>
<b>OTHER INCOME</b>				
Investment Earnings	53,364.23	153,895.55	235,424.14	(81,528.59)
<b>OTHER EXPENSES</b>				
Interest Expense and Related Amortization	679,535.79	1,359,071.64	1,458,946.64	(99,875.00)
Interest Expense on Cumulative Preferred Dividend	4,061.98	8,123.95	1,231.20	6,892.75
<b>TOTAL OTHER EXPENSES</b>	<u>683,597.77</u>	<u>1,367,195.59</u>	<u>1,460,177.84</u>	<u>(174,510.84)</u>
<b>NET INCOME BEFORE CUMULATIVE PREFERRED DIVIDEND</b>	289,882.56	1,190,955.83	1,688,950.40	(497,994.57)
Cumulative Preferred Dividend	42,347.52	84,695.04	84,695.04	-
<b>NET INCOME</b>	<u>\$ 247,535.04</u>	<u>1,106,260.79</u>	<u>1,604,255.36</u>	<u>(497,994.57)</u>
Total Net Assets at beginning of Year		(5,333,370.38)	(7,283,003.51)	1,949,633.13
Distributions		(400,000.00)	-	(400,000.00)
Preferred Equity Distributions		-	-	-
<b>TOTAL NET ASSETS</b>		<u>\$ (4,627,109.59)</u>	<u>\$ (5,678,748.15)</u>	<u>\$ 1,051,638.56</u>

**WESTERN GENERATION AGENCY  
STATEMENTS OF CHANGES IN FUND NET ASSETS  
FOR THE SIX MONTHS ENDED JUNE 30, 2008  
AND THE YEAR ENDED DECEMBER 31, 2007**

	<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, 2006	\$ 2,150,984.94	\$ (4,716,994.23)	\$ (4,716,994.22)	\$ (7,283,003.51)
Preferred Equity Distributions	-	-	-	-
Partners Distributions	-	(200,000.00)	(200,000.00)	(400,000.00)
Income	-	1,174,816.57	1,174,816.56	2,349,633.13
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </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	-	(200,000.00)	(200,000.00)	(400,000.00)
Income	-	553,130.40	553,130.40	1,106,260.79
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance at June 30, 2008	<u>\$ 2,150,984.94</u>	<u>\$ (3,389,047.27)</u>	<u>\$ (3,389,047.27)</u>	<u>\$ (4,627,109.59)</u>

**WESTERN GENERATION AGENCY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b><u>Cash Flows from Operating Activities</u></b>		
Receipts from BPA	\$ 5,388,477.07	\$ 5,808,155.12
Payments to Georgia Pacific	(710,998.00)	(692,126.00)
Payment for Administrative and General Cost	(68,797.27)	(400,307.16)
Net cash provided by operating activities	4,608,681.80	4,715,721.96
<b><u>Cash Flows from Investing Activities</u></b>		
Net Redemption of Investments	2,095,740.40	(1,642,046.27)
Interest Received on Investments	217,655.59	132,785.04
Net cash provided by investing activities	2,313,395.99	(1,509,261.23)
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Interest Payments on Bonds	(1,386,500.00)	(501,628.47)
Bond Principal Payments	(3,995,000.00)	(105,000.00)
Partners Distribution	(400,000.00)	-
Net cash used in capital and related financing	(5,781,500.00)	(606,628.47)
Net increase in cash and cash equivalents	1,140,577.79	2,599,832.26
Cash and cash equivalents at beginning of period	1,218,207.37	262,139.89
Cash and cash equivalents at end of period	\$ 2,358,785.16	\$ 2,861,972.15
Reconciliation of operating income to net cash provided by operating activities:		
Net Operating Revenue	\$ 2,404,255.87	\$ 2,913,704.10
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	584,750.31	372,202.85
Prepayments and current assets	141,743.56	(14,150.81)
Increase (decrease) in liabilities:		
Accounts Payable	130,932.06	96,965.82
Property Tax	-	-
Net cash provided by operating activities	\$ 4,608,681.80	\$ 4,715,721.96

# **WESTERN GENERATION AGENCY**

## ***WAUNA COGENERATION PROJECT***

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

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**April 1, 2008 to June 30, 2008**

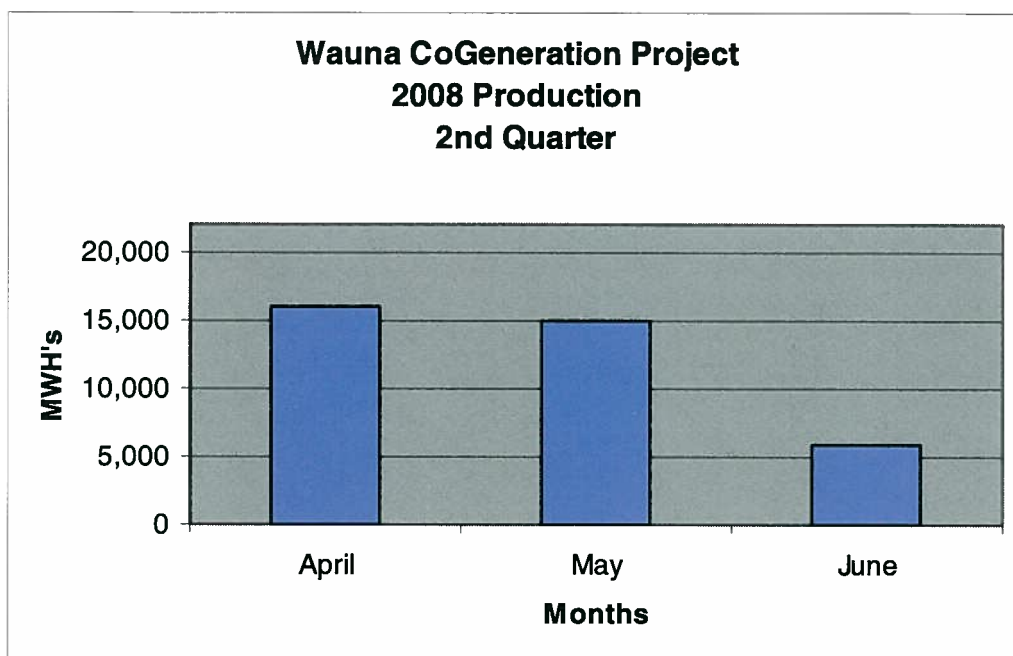
**WESTERN GENERATION AGENCY  
WAUNA COGENERATION PROJECT**

**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, 2008 and June 30, 2008.

**Steam Turbine Generator.** The Project continued to operate through the second quarter of 2008. Bonneville Power Administration (Bonneville) did not displace the Project at any time during this quarter.



The Project produced and Bonneville purchased 36,641 Megawatt hours (MWhrs) of electricity in the second quarter. As a comparison, second quarter production during 2007 was 44,357 MWhrs (this includes outage time due to 2007 annual mill shutdown for maintenance). As with 1<sup>st</sup> quarter production, this decrease in production reflects Georgia-Pacific's (GP) decision to shutdown and mothball Paper Machine No. 4 last year, which has resulted in a reduced total mill steam demand.

The unit was down for 372 hours in June 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 83.0 %, 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 during the 3<sup>rd</sup> quarter.