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# **WESTERN GENERATION AGENCY**

Wauna Cogeneration Project

First Quarter Financial Statements – March 31, 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 (the "Agency") as of March 31, 2008, and the changes in its financial position and its cash flows for the three 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 first quarter of 2008.

*Debbie Throop*

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Debbie Throop, Treasurer  
Western Generation Agency  
May 21, 2008

**WESTERN GENERATION AGENCY  
BALANCE SHEETS  
MARCH 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>	<u>DIFFERENCE</u>
<b>ASSETS</b>			
<i>CURRENT ASSETS</i>			
Cash and Cash Equivalents	\$ 2,130,070.78	\$ 1,334,498.84	\$ 795,571.94
Receivable	1,741,514.25	1,941,689.19	(200,174.94)
Prepaid Expenses	133,869.76	138,019.54	(4,149.78)
Investments for Debt Service-Restricted	1,111,552.54	1,112,208.21	(655.67)
<b>TOTAL CURRENT ASSETS</b>	<u>5,117,007.33</u>	<u>4,526,415.78</u>	<u>590,591.55</u>
<i>RESTRICTED CASH AND INVESTMENTS</i>			
Debt Service Reserve -Series A and B	4,889,560.60	5,245,955.81	(356,395.21)
Debt Service Reserve -Series C	291,808.90	-	291,808.90
Maintenance Fund	1,074,525.27	725,694.27	348,831.00
<b>TOTAL RESTRICTED CASH AND INVESTMENTS</b>	<u>6,255,894.77</u>	<u>5,971,650.08</u>	<u>284,244.69</u>
<i>PROPERTY, PLANT &amp; EQUIPMENT</i>			
Plant in Service	67,350,057.09	67,350,057.09	-
LESS: Accumulative Depreciation	(32,283,102.00)	(29,589,102.00)	(2,694,000.00)
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>	<u>35,066,955.09</u>	<u>37,760,955.09</u>	<u>(2,694,000.00)</u>
<i>UNAMORTIZED BOND COSTS, NET</i>			
	<u>2,028,853.78</u>	<u>2,220,061.41</u>	<u>(191,207.63)</u>
<b>TOTAL ASSETS</b>	<u>\$ 48,468,710.97</u>	<u>\$ 50,479,082.36</u>	<u>\$ (2,010,371.39)</u>
<b>LIABILITIES &amp; NET ASSETS</b>			
<i>CURRENT LIABILITIES</i>			
Accounts Payable	\$ 326,740.25	\$ 288,337.48	\$ 38,402.77
Accrued Property Taxes	-	-	-
Accrued Interest	653,213.33	693,865.59	(40,652.26)
Preferred Dividend Payable	242,831.10	73,441.04	169,390.06
Bonds Payable, Current Portion	2,880,000.00	2,800,000.00	80,000.00
<b>TOTAL CURRENT LIABILITIES</b>	<u>4,102,784.68</u>	<u>3,855,644.11</u>	<u>247,140.57</u>
<i>LONG TERM DEBT</i>			
	<u>48,840,570.92</u>	<u>52,961,885.29</u>	<u>(4,121,314.37)</u>
<b>TOTAL LIABILITIES</b>	<u>52,943,355.60</u>	<u>56,817,529.40</u>	<u>(3,874,173.80)</u>
<i>NET ASSETS</i>			
Invested in Capital Assets, Net of Related Debt	(16,653,615.83)	(18,000,930.20)	1,347,314.37
Restricted For:			
Debt Service	6,292,175.04	6,358,164.02	(65,988.98)
Major Maintenance	1,074,525.27	725,694.27	348,831.00
Unrestricted	4,812,270.89	4,578,624.87	233,646.02
<b>TOTAL NET ASSETS</b>	<u>(4,474,644.63)</u>	<u>(6,338,447.04)</u>	<u>1,863,802.41</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 48,468,710.97</u>	<u>\$ 50,479,082.36</u>	<u>\$ (2,010,371.39)</u>

**WESTERN GENERATION AGENCY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**

	<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><u>OPERATING REVENUES</u></b>			
Power Sales	\$ 2,710,438.82	\$ 2,944,845.63	\$ (234,406.81)
<b><u>OPERATING EXPENSES</u></b>			
Operators Fee and Other Production Expense	31,899.00	30,672.00	1,227.00
Fuel Expense	44,692.00	126,011.00	(81,319.00)
Electricity Expense	248,394.00	242,741.00	5,653.00
Administrative Expense	8,785.74	10,374.49	(1,588.75)
Professional Services	37.50	-	37.50
Insurance Expense	66,802.02	69,556.04	(2,754.02)
General Expense	24,300.00	17,496.00	6,804.00
Depreciation Expense	673,500.00	673,500.00	-
Property Taxes Expense	47,568.78	47,335.11	233.67
Steam Efficiency Payment	80,320.01	107,925.99	(27,605.98)
<b>TOTAL OPERATING EXPENSES</b>	<u>1,226,299.05</u>	<u>1,325,611.63</u>	<u>(99,312.58)</u>
<b>INCOME FROM OPERATIONS</b>	<u>1,484,139.77</u>	<u>1,619,234.00</u>	<u>(135,094.23)</u>
<b><u>OTHER INCOME</u></b>			
Investment Earnings	100,531.32	97,758.90	2,772.42
<b><u>OTHER EXPENSES</u></b>			
Interest Expense and Related Amortization	679,535.85	729,473.31	(49,937.46)
Interest Expense on Cumulative Preferred Dividend	4,061.97	615.60	3,446.37
<b>TOTAL OTHER EXPENSES</b>	<u>683,597.82</u>	<u>730,088.91</u>	<u>(43,718.67)</u>
<b>NET INCOME BEFORE CUMULATIVE PREFERRED DIVIDEND</b>	901,073.27	986,903.99	(85,830.72)
Cumulative Preferred Dividend	42,347.52	42,347.52	-
<b>NET INCOME</b>	858,725.75	944,556.47	(85,830.72)
<b>Total Net Assets at beginning of Year</b>	(5,333,370.38)	(7,283,003.51)	1,949,633.13
Distributions	-	-	-
Preferred Equity Distributions	-	-	-
<b>TOTAL NET ASSETS</b>	<u>\$ (4,474,644.63)</u>	<u>\$ (6,338,447.04)</u>	<u>\$ 1,863,802.41</u>

Unaudited - For Internal Use Only.

**WESTERN GENERATION AGENCY  
STATEMENTS OF CHANGES IN FUND NET ASSETS  
FOR THE THREE MONTHS ENDED MARCH 31, 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	-	<u>1,174,816.57</u>	<u>1,174,816.56</u>	<u>2,349,633.13</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	-	-	-	-
Income	-	<u>429,362.88</u>	<u>429,362.88</u>	<u>858,725.75</u>
Balance at March 31, 2008	<u>\$ 2,150,984.94</u>	<u>\$ (3,312,814.79)</u>	<u>\$ (3,312,814.79)</u>	<u>\$ (4,474,644.63)</u>

**WESTERN GENERATION AGENCY  
STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from BPA	\$ 2,742,748.37	\$ 2,937,751.99
Payments to Georgia Pacific	(324,985.00)	(399,424.00)
Payment for Administrative and General Cost	(133,544.03)	(797,692.65)
Net cash provided by operating activities	<u>2,284,219.34</u>	<u>1,740,635.34</u>
<u>Cash Flows from Investing Activities</u>		
Net Redemption of Investments	3,913,507.00	(157,016.27)
Interest Received on Investments	95,637.07	95,368.35
Net cash provided by (used in) investing activities	<u>4,009,144.07</u>	<u>(61,647.92)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Interest Payments on Bonds	(1,386,500.00)	(501,628.47)
Bond Principal Payments	(3,995,000.00)	(105,000.00)
Net cash used in capital and related financing	<u>(5,381,500.00)</u>	<u>(606,628.47)</u>
Net increase in cash and cash equivalents	911,863.41	1,072,358.95
Cash and cash equivalents at beginning of period	<u>1,218,207.37</u>	<u>262,139.89</u>
Cash and cash equivalents at end of period	<u>\$ 2,130,070.78</u>	<u>\$ 1,334,498.84</u>
Reconciliation of operating income to net cash provided by operating activities:		
Net Operating Revenue	\$ 1,484,139.77	\$ 1,619,234.00
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	673,500.00	673,500.00
(Increase) decrease in assets:		
Receivable	32,309.55	(7,093.64)
Prepayments and current assets	39,372.80	37,534.65
Increase (decrease) in liabilities:		
Accounts Payable	54,897.22	(582,539.67)
Property Tax	-	-
Net cash provided by operating activities	<u>\$ 2,284,219.34</u>	<u>\$ 1,740,635.34</u>

**WESTERN GENERATION AGENCY**

***WAUNA COGENERATION  
PROJECT***

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***Management Discussion of Operations***

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**January 1, 2008 to March 31, 2008**

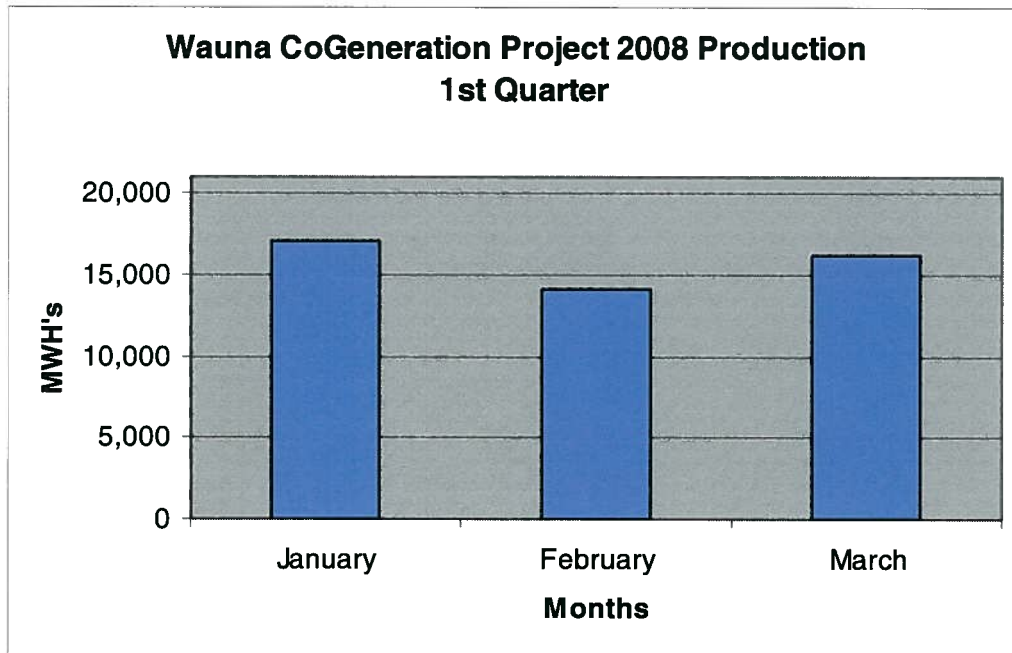
**WESTERN GENERATION AGENCY  
WAUNA COGENERATION PROJECT**

**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 January 1, 2008 and March 31, 2008.

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



The Project produced and Bonneville purchased 47,443 Megawatt hours (MWhrs) of electricity in the first quarter. As a comparison, first quarter production during 2007 was 52,437 MWhrs. This decrease in production reflects Georgia-Pacific's (GP) decision to shutdown Paper Machine No. 4 in July 2007, which has resulted in a reduced total mill steam demand.

GP brought a new paper machine (PM 7) on line in December 2007, which partially offsets the loss of PM 4.

Availability for the quarter was 100 %. 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 April and May. A mill maintenance outage is scheduled for June. The turbine generator will be shutdown from June 6 to June 17. During the mill shutdown, maintenance will be performed on the turbine generator.