

# **WESTERN GENERATION AGENCY**

Wauna Cogeneration Project

Third Quarter Financial Statements – September 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 September 30, 2008, and the changes in its financial position and its cash flows for the three months and nine 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 third quarter of 2008.

*Debbie Throop*

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Debbie Throop, Treasurer  
Western Generation Agency  
November 4, 2008

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

	<u>2008</u>	<u>2007</u>	<u>DIFFERENCE</u>
<b>ASSETS</b>			
<i>CURRENT ASSETS</i>			
Cash and Cash Equivalents	\$ 567,906.70	\$ 4,009,910.44	\$ (3,442,003.74)
Receivable	1,474,895.72	1,267,608.90	207,286.82
Prepaid Expenses	107,826.99	133,904.97	(26,077.98)
Investments for Debt Service-Restricted	4,359,396.55	2,360,504.39	1,998,892.16
<b>TOTAL CURRENT ASSETS</b>	<u>6,510,025.96</u>	<u>7,771,928.70</u>	<u>(1,261,902.74)</u>
<i>RESTRICTED CASH AND INVESTMENTS</i>			
Debt Service Reserve -Series A and B	4,847,145.58	4,965,173.00	(118,027.42)
Maintenance Fund	1,221,513.27	560,265.27	661,248.00
<b>TOTAL RESTRICTED CASH AND INVESTMENTS</b>	<u>6,068,658.85</u>	<u>5,525,438.27</u>	<u>543,220.58</u>
<i>PROPERTY, PLANT &amp; EQUIPMENT</i>			
Plant in Service	67,350,057.09	67,350,057.09	-
LESS: Accumulative Depreciation	(33,630,102.00)	(30,936,102.00)	(2,694,000.00)
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>	<u>33,719,955.09</u>	<u>36,413,955.09</u>	<u>(2,694,000.00)</u>
<i>UNAMORTIZED BOND COSTS, NET</i>	1,933,249.96	2,124,457.59	(191,207.63)
<b>TOTAL ASSETS</b>	<u>\$ 48,231,889.86</u>	<u>\$ 51,835,779.65</u>	<u>\$ (3,603,889.79)</u>
<b>LIABILITIES &amp; NET ASSETS</b>			
<i>CURRENT LIABILITIES</i>			
Accounts Payable	\$ 206,814.65	\$ 592,860.29	\$ (386,045.64)
Accrued Property Taxes	47,568.78	47,335.11	233.67
Accrued Interest	663,164.67	696,784.95	(33,620.28)
Preferred Dividend Payable	327,526.14	158,136.08	169,390.06
Bonds Payable, Current Portion	2,880,000.00	2,800,000.00	80,000.00
<b>TOTAL CURRENT LIABILITIES</b>	4,125,074.24	4,295,116.43	(170,042.19)
<i>LONG TERM DEBT</i>	48,817,413.74	52,938,728.11	(4,121,314.37)
<b>TOTAL LIABILITIES</b>	<u>52,942,487.98</u>	<u>57,233,844.54</u>	<u>(4,291,356.56)</u>
<i>NET ASSETS</i>			
Invested in Capital Assets, Net of Related Debt	(17,977,458.65)	(19,324,773.02)	1,347,314.37
Restricted For:			
Debt Service	7,677,902.83	7,325,677.39	352,225.44
Major Maintenance	1,221,513.27	560,265.27	661,248.00
Unrestricted	4,367,444.43	6,040,765.47	(1,673,321.04)
<b>TOTAL NET ASSETS</b>	<u>(4,710,598.12)</u>	<u>(5,398,064.89)</u>	<u>687,466.77</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 48,231,889.86</u>	<u>\$ 51,835,779.65</u>	<u>\$ (3,603,889.79)</u>

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

	<u>2008</u> <u>3RD 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	\$ 2,142,246.35	\$ 6,945,973.11	\$ 7,466,515.25	\$ (520,542.14)
<b>OPERATING EXPENSES</b>				
Operators Fee and Other Production Expense	31,899.00	95,697.00	92,016.00	3,681.00
Fuel Expense	-	45,027.00	144,416.00	(99,389.00)
Electricity Expense	252,086.00	747,371.00	728,995.00	18,376.00
Administrative Expense	5,827.15	21,130.01	28,936.82	(7,806.81)
Professional Services	(37.50)	6,899.93	6,073.70	826.23
Insurance Expense	51,442.01	173,046.01	183,180.51	(10,134.50)
General Expense	-	27,300.00	17,796.00	9,504.00
Depreciation Expense	673,500.00	2,020,500.00	2,020,500.00	-
Property Taxes Expense	47,568.78	142,706.34	142,005.32	701.02
Steam Efficiency Payment	96,498.46	278,577.50	291,773.25	(13,195.75)
<b>TOTAL OPERATING EXPENSES</b>	<u>1,158,783.90</u>	<u>3,558,254.79</u>	<u>3,655,692.60</u>	<u>(97,437.81)</u>
<b>INCOME FROM OPERATIONS</b>	<u>983,462.45</u>	<u>3,387,718.32</u>	<u>3,810,822.65</u>	<u>(423,104.33)</u>
<b>OTHER INCOME</b>				
Investment Earnings	60,821.75	214,717.30	393,113.44	(178,396.14)
<b>OTHER EXPENSES</b>				
Interest Expense and Related Amortization	679,535.85	2,038,607.49	2,188,419.89	(149,812.40)
Interest Expense on Cumulative Preferred Dividend	5,889.36	14,013.31	3,535.02	10,478.29
<b>TOTAL OTHER EXPENSES</b>	<u>685,425.21</u>	<u>2,052,620.80</u>	<u>2,191,954.91</u>	<u>(317,730.25)</u>
<b>NET INCOME BEFORE CUMULATIVE PREFERRED DIVIDEND</b>	358,858.99	1,549,814.82	2,011,981.18	(462,166.36)
Cumulative Preferred Dividend	42,347.52	127,042.56	127,042.56	-
<b>NET INCOME</b>	<u>\$ 316,511.47</u>	<u>1,422,772.26</u>	<u>1,884,938.62</u>	<u>(462,166.36)</u>
Total Net Assets at beginning of Year		(5,333,370.38)	(7,283,003.51)	1,949,633.13
Distributions		(800,000.00)	-	(800,000.00)
Preferred Equity Distributions		-	-	-
<b>TOTAL NET ASSETS</b>		<u>\$ (4,710,598.12)</u>	<u>\$ (5,398,064.89)</u>	<u>\$ 687,466.77</u>

**WESTERN GENERATION AGENCY  
STATEMENTS OF CHANGES IN FUND NET ASSETS  
FOR THE NINE MONTHS ENDED SEPTEMBER 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
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	-	711,386.13	711,386.13	1,422,772.26
Balance at September 30, 2008	<u>\$ 2,150,984.94</u>	<u>\$ (3,430,791.53)</u>	<u>\$ (3,430,791.53)</u>	<u>\$ (4,710,598.12)</u>

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

	<u>2008</u>	<u>2007</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from BPA	\$ 7,242,652.19	\$ 8,167,003.90
Payments to Georgia Pacific	(1,186,504.00)	(965,427.00)
Payment for Administrative and General Cost	<u>(303,294.82)</u>	<u>(858,798.13)</u>
Net cash provided by operating activities	<u>5,752,853.37</u>	<u>6,342,778.77</u>
<u>Cash Flows from Investing Activities</u>		
Net Redemption of Investments	816,051.97	(927,172.27)
Interest Received on Investments	<u>248,918.99</u>	<u>325,292.52</u>
Net cash provided by (used in) investing activities	<u>1,064,970.96</u>	<u>(601,879.75)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Interest Payments on Bonds	(2,673,125.00)	(1,888,128.47)
Bond Principal Payments	(3,995,000.00)	(105,000.00)
Partners Distribution	<u>(800,000.00)</u>	<u>-</u>
Net cash used in capital and related financing	<u>(7,468,125.00)</u>	<u>(1,993,128.47)</u>
Net increase in cash and cash equivalents	(650,300.67)	3,747,770.55
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>\$ 567,906.70</u>	<u>\$ 4,009,910.44</u>
Reconciliation of operating income to net cash provided by operating activities:		
Net Operating Revenue	\$ 3,387,718.32	\$ 3,810,822.65
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,020,500.00	2,020,500.00
(Increase) decrease in assets:		
Receivable	296,679.08	700,488.65
Prepayments and current assets	65,415.57	41,649.22
Increase (decrease) in liabilities:		
Accounts Payable	(65,028.38)	(278,016.86)
Property Tax	<u>47,568.78</u>	<u>47,335.11</u>
Net cash provided by operating activities	<u>\$ 5,752,853.37</u>	<u>\$ 6,342,778.77</u>

# **WESTERN GENERATION AGENCY**

## ***WAUNA COGENERATION PROJECT***

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

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**July 1, 2008 to September 30, 2008**

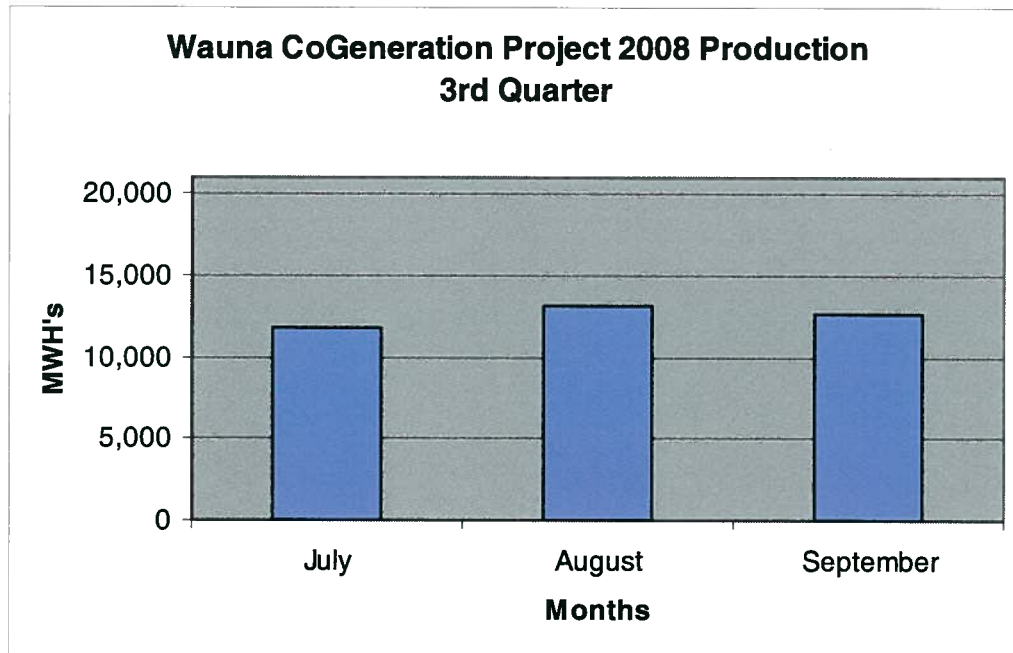
**WESTERN GENERATION AGENCY  
WAUNA COGENERATION PROJECT**

**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 July 1, 2008 and September 30, 2008.

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



The Project produced and Bonneville purchased 37,498 Megawatt hours (MWhrs) of electricity in the third quarter. As a comparison, third quarter production during 2007 was 36,157 MWhrs.

Availability for the quarter was 98.5%. 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 4<sup>th</sup> quarter.