

WESTERN GENERATION AGENCY

Wauna Cogeneration Project

Third Quarter Financial Statements – September 30, 2009

WESTERN GENERATION AGENCY
WAUNA COGENERATION PROJECT

FINANCIAL STATEMENTS

The following financial statements represent the financial position of the Western Generation Agency as of September 30, 2009, 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 2009.

Debbie Throop

Debbie Throop, Treasurer
Western Generation Agency
October 27, 2009

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

	<u>2009</u>	<u>2008</u>	<u>DIFFERENCE</u>
<u>ASSETS</u>			
<i>CURRENT ASSETS</i>			
Cash and Cash Equivalents	\$ 701,140.05	\$ 567,906.70	\$ 133,233.35
Receivable	1,145,821.23	1,474,895.72	(329,074.49)
Prepaid Expenses	148,998.01	107,826.99	41,171.02
Investments for Debt Service-Restricted	3,861,006.01	4,359,396.55	(498,390.54)
TOTAL CURRENT ASSETS	<u>5,856,965.30</u>	<u>6,510,025.96</u>	<u>(653,060.66)</u>
<i>RESTRICTED CASH AND INVESTMENTS</i>			
Debt Service Reserve -Series A and B	4,768,235.59	4,847,145.58	(78,909.99)
Maintenance Fund	768,194.52	1,221,513.27	(453,318.75)
TOTAL RESTRICTED CASH AND INVESTMENTS	<u>5,536,430.11</u>	<u>6,068,658.85</u>	<u>(532,228.74)</u>
<i>PROPERTY, PLANT & EQUIPMENT</i>			
Plant in Service	67,350,057.09	67,350,057.09	-
LESS: Accumulative Depreciation	(36,324,102.00)	(33,630,102.00)	(2,694,000.00)
TOTAL PROPERTY, PLANT & EQUIPMENT	<u>31,025,955.09</u>	<u>33,719,955.09</u>	<u>(2,694,000.00)</u>
<i>UNAMORTIZED BOND COSTS, NET</i>	<u>1,742,042.33</u>	<u>1,933,249.96</u>	<u>(191,207.63)</u>
TOTAL ASSETS	<u>\$ 44,161,392.83</u>	<u>\$ 48,231,889.86</u>	<u>\$ (4,070,497.03)</u>
<u>LIABILITIES & NET ASSETS</u>			
<i>CURRENT LIABILITIES</i>			
Accounts Payable	\$ 211,275.40	\$ 206,814.65	\$ 4,460.75
Accrued Property Taxes	38,487.57	47,568.78	(9,081.21)
Accrued Interest	639,331.59	663,164.67	(23,833.08)
Preferred Dividend Payable	496,916.19	327,526.14	169,390.05
Bonds Payable, Current Portion	2,980,000.00	2,880,000.00	100,000.00
TOTAL CURRENT LIABILITIES	<u>4,366,010.75</u>	<u>4,125,074.24</u>	<u>240,936.51</u>
<i>LONG TERM DEBT</i>	<u>44,266,099.37</u>	<u>48,817,413.74</u>	<u>(4,551,314.37)</u>
TOTAL LIABILITIES	<u>48,632,110.12</u>	<u>52,942,487.98</u>	<u>(4,310,377.86)</u>
<i>NET ASSETS</i>			
Invested in Capital Assets, Net of Related Debt	(16,220,144.28)	(17,977,458.65)	1,757,314.37
Restricted For:			
Debt Service	7,989,910.01	8,543,377.46	(553,467.45)
Major Maintenance	768,194.52	1,221,513.27	(453,318.75)
Unrestricted	2,991,322.46	3,501,969.80	(510,647.34)
TOTAL NET ASSETS	<u>(4,470,717.29)</u>	<u>(4,710,598.12)</u>	<u>239,880.83</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 44,161,392.83</u>	<u>\$ 48,231,889.86</u>	<u>\$ (4,070,497.03)</u>

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

	<u>2009</u> <u>3RD 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>
<u>OPERATING REVENUES</u>				
Power Sales	\$ 1,833,814.84	\$ 6,871,980.79	\$ 6,945,973.11	\$ (73,992.32)
<u>OPERATING EXPENSES</u>				
Operators Fee and Other Production Expense	33,450.00	100,350.00	95,697.00	4,653.00
Fuel Expense	-	72,867.00	45,027.00	27,840.00
Electricity Expense	253,814.00	759,992.00	747,371.00	12,621.00
Administrative Expense	5,784.40	23,894.42	21,130.01	2,764.41
Professional Services	2,490.70	27,555.60	6,899.93	20,655.67
Insurance Expense	49,665.99	142,335.99	173,046.01	(30,710.02)
General Expense	504.88	25,304.88	27,300.00	(1,995.12)
Depreciation Expense	673,500.00	2,020,500.00	2,020,500.00	-
Property Taxes Expense	38,487.57	115,462.69	142,706.34	(27,243.65)
Steam Efficiency Payment	110,307.00	370,783.00	278,577.50	92,205.50
TOTAL OPERATING EXPENSES	<u>1,168,004.54</u>	<u>3,659,045.58</u>	<u>3,558,254.79</u>	<u>100,790.79</u>
INCOME FROM OPERATIONS	<u>665,810.30</u>	<u>3,212,935.21</u>	<u>3,387,718.32</u>	<u>(174,783.11)</u>
<u>OTHER INCOME</u>				
Investment Earnings	7,838.83	22,775.20	214,717.30	(191,942.10)
<u>OTHER EXPENSES</u>				
Interest Expense and Related Amortization	624,473.31	1,873,419.95	2,038,607.49	(165,187.54)
Interest Expense on Cumulative Preferred Dividend	9,762.78	25,340.13	14,013.31	11,326.82
TOTAL OTHER EXPENSES	<u>634,236.09</u>	<u>1,898,760.08</u>	<u>2,052,620.80</u>	<u>(345,802.82)</u>
NET INCOME BEFORE CUMULATIVE PREFERRED DIVIDEND	39,413.04	1,336,950.33	1,549,814.82	(212,864.49)
Cumulative Preferred Dividend	42,347.52	127,042.55	127,042.56	(0.01)
NET INCOME (LOSS)	<u>\$ (2,934.48)</u>	1,209,907.78	1,422,772.26	(212,864.48)
Total Net Assets at beginning of Year		(4,880,625.07)	(5,333,370.38)	452,745.31
Distributions		(800,000.00)	(800,000.00)	-
Preferred Equity Distributions		-	-	-
TOTAL NET ASSETS		<u>\$ (4,470,717.29)</u>	<u>\$ (4,710,598.12)</u>	<u>\$ 239,880.83</u>

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

	<u>Eugene Water & 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	-	(400,000.00)	(400,000.00)	(800,000.00)
Income	-	604,953.89	604,953.89	1,209,907.78
Balance at September 30, 2009	<u>\$ 2,150,984.94</u>	<u>\$ (3,310,851.11)</u>	<u>\$ (3,310,851.12)</u>	<u>\$ (4,470,717.29)</u>

WESTERN GENERATION AGENCY
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008

	2009	2008
<u>Cash Flows from Operating Activities</u>		
Receipts from BPA	\$ 6,683,759.24	\$ 7,242,652.19
Payments to Georgia Pacific	(1,304,726.00)	(1,186,504.00)
Payment for Administrative and General Cost	(452,357.69)	(303,294.82)
Net cash from operating activities	4,926,675.55	5,752,853.37
<u>Cash Flows from Investing Activities</u>		
Purchase of Investments	(15,123,360.00)	(11,240,128.43)
Proceeds from Investments	10,232,236.63	11,761,443.75
Interest Received on Investments	51,604.09	248,918.99
Net cash from investing activities	(4,839,519.28)	770,234.31
<u>Cash Flows from Capital and Related Financing Activities</u>		
Interest Payments on Bonds	(2,463,125.00)	(2,673,125.00)
Bond Principal Payments	(4,405,000.00)	(3,995,000.00)
Equity Distributions	(800,000.00)	(800,000.00)
Net cash from capital and related financing	(7,668,125.00)	(7,468,125.00)
Change in cash and cash equivalents	(7,580,968.73)	(945,037.32)
Cash and cash equivalents at beginning of period	10,116,914.27	3,952,874.41
Cash and cash equivalents at end of period	\$ 2,535,945.54	\$ 3,007,837.09
Reconciliation to Balance Sheet		
Cash and Cash Equivalents	\$ 701,140.05	\$ 567,906.70
Restricted Cash Equivalents	1,834,805.49	2,439,930.39
	\$ 2,535,945.54	\$ 3,007,837.09
Reconciliation of operating income to net cash from operating activities:		
Net Operating Revenue	\$ 3,212,935.21	\$ 3,387,718.32
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	2,020,500.00	2,020,500.00
(Increase) decrease in assets:		
Receivable	(188,221.55)	296,679.08
Prepayments and current assets	(7,159.89)	65,415.57
Increase (decrease) in liabilities:		
Accounts Payable	(149,865.79)	(65,028.38)
Property Tax	38,487.57	47,568.78
Net cash from operating activities	\$ 4,926,675.55	\$ 5,752,853.37

WESTERN GENERATION AGENCY

WAUNA COGENERATION PROJECT

Management Discussion of Operations

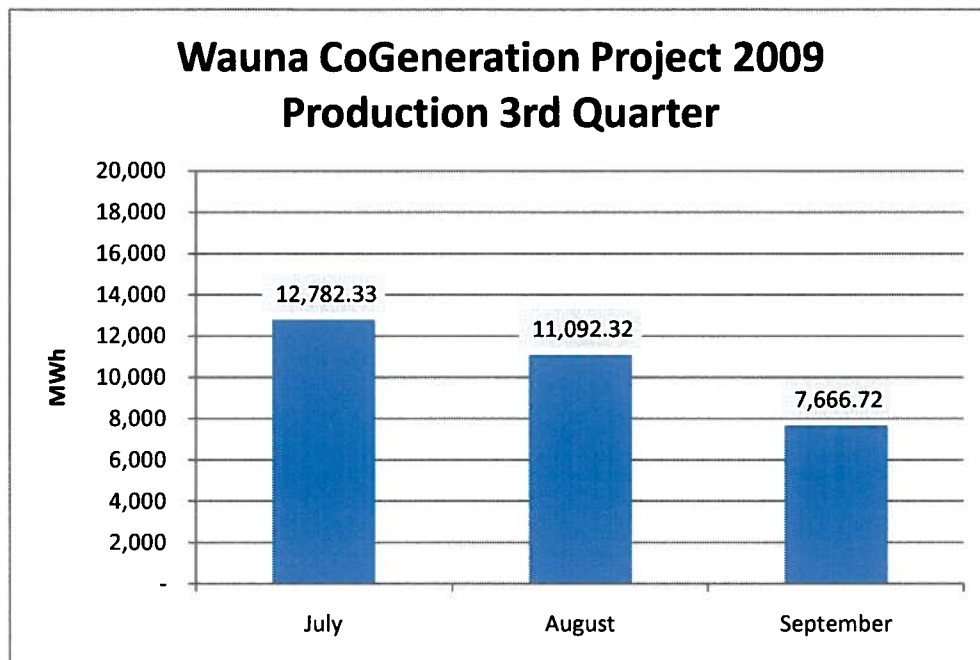
July 1, 2009 to September 30, 2009

**WESTERN GENERATION AGENCY
WAUNA COGENERATION PROJECT**

MANAGEMENT DISCUSSION OF OPERATIONS

The following discussion will provide an overview of the operation of the Wauna Cogeneration Project (Project) between July 1, 2009 and September 30, 2009.

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



The Project produced and Bonneville purchased 31,541.36 megawatt hours (MWh) of electricity in the third quarter 2009. As a comparison, second quarter production was 37,418 MWh.

Availability for the third quarter was 93.6%. The 24-hour planned outage in September was extended to complete other repairs and due to a PUD power outage. 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 as designed. Annual FBB maintenance completed during the week of September 21.

Future Expected Operation. The Wauna mill is planning a 30-hour outage November 3, 2009 for an RB water wash. The turbine will be off-line for that period. There are no other scheduled turbine outages for the 4nd quarter.