

WESTERN GENERATION AGENCY

Wauna Cogeneration Project

Second Quarter Financial Statements – June 30, 2011

WESTERN GENERATION AGENCY
WAUNA COGENERATION PROJECT

FINANCIAL STATEMENTS

The following financial statements represent the financial position of the Western Generation Agency as of June 30, 2011, 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 2011.

Debbie Throop

Debbie Throop, Treasurer
Western Generation Agency
July 28, 2011

**WESTERN GENERATION AGENCY
BALANCE SHEETS
JUNE 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>	<u>DIFFERENCE</u>
<u>ASSETS</u>			
<i>CURRENT ASSETS</i>			
Cash and Cash Equivalents	\$ 1,980,282.71	\$ 2,062,796.74	\$ (82,514.03)
Receivable	1,223,754.85	1,127,998.08	95,756.77
Prepaid Expenses	-	0.00	(0.00)
TOTAL CURRENT ASSETS	<u>3,204,037.56</u>	<u>3,190,794.82</u>	<u>13,242.74</u>
<i>RESTRICTED CASH AND INVESTMENTS</i>			
Debt Service-Series A, B and C	2,607,968.42	2,639,177.43	(31,209.01)
Debt Service Reserve -Series A and B	4,777,358.18	4,817,553.84	(40,195.66)
Maintenance Fund	1,300,856.51	1,015,985.51	284,871.00
TOTAL RESTRICTED CASH AND INVESTMENTS	<u>8,686,183.11</u>	<u>8,472,716.78</u>	<u>213,466.33</u>
<i>PROPERTY, PLANT & EQUIPMENT</i>			
Plant in Service	67,350,057.09	67,350,057.09	-
LESS: Accumulative Depreciation	(41,038,602.00)	(38,344,602.00)	(2,694,000.00)
TOTAL PROPERTY, PLANT & EQUIPMENT	<u>26,311,455.09</u>	<u>29,005,455.09</u>	<u>(2,694,000.00)</u>
<i>UNAMORTIZED BOND COSTS, NET</i>	<u>1,407,428.98</u>	<u>1,598,636.61</u>	<u>(191,207.63)</u>
TOTAL ASSETS	<u>\$ 39,609,104.74</u>	<u>\$ 42,267,603.30</u>	<u>\$ (2,658,498.56)</u>
<u>LIABILITIES & NET ASSETS</u>			
<i>CURRENT LIABILITIES</i>			
Accounts Payable	\$ 265,621.24	\$ 200,710.72	\$ 64,910.52
Accrued Interest	1,117,070.92	1,160,598.65	(43,527.73)
Preferred Dividend Payable	793,348.79	623,958.73	169,390.06
Bonds Payable, Current Portion	3,260,000.00	3,125,000.00	135,000.00
TOTAL CURRENT LIABILITIES	<u>5,436,040.95</u>	<u>5,110,268.10</u>	<u>325,772.85</u>
<i>LONG TERM DEBT</i>	<u>35,740,049.22</u>	<u>40,071,363.59</u>	<u>(4,331,314.37)</u>
TOTAL LIABILITIES	<u>41,176,090.17</u>	<u>45,181,631.69</u>	<u>(4,005,541.52)</u>
<i>NET ASSETS</i>			
Invested in Capital Assets, Net of Related Debt	(11,281,165.15)	(12,592,271.89)	1,311,106.74
Restricted For:			
Debt Service	7,385,326.60	6,296,132.62	1,089,193.98
Major Maintenance	1,300,856.51	1,015,985.51	284,871.00
Unrestricted	1,027,996.61	2,366,125.37	(1,338,128.76)
TOTAL NET ASSETS	<u>(1,566,985.43)</u>	<u>(2,914,028.39)</u>	<u>1,347,042.96</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 39,609,104.74</u>	<u>\$ 42,267,603.30</u>	<u>\$ (2,658,498.56)</u>

WESTERN GENERATION AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2011
AND THE SIX MONTHS ENDED JUNE 30, 2010

	<u>2011 2ND QTR AMOUNT</u>	<u>2011 Y-T-D AMOUNT</u>	<u>2010 Y-T-D AMOUNT</u>	<u>Y-T-D DIFFERENCE</u>
<u>OPERATING REVENUES</u>				
Power Sales	\$ 2,029,666.68	\$ 4,794,565.60	\$ 4,603,403.55	\$ 191,162.05
<u>OPERATING EXPENSES</u>				
Operators Fee and Other Production Expense	34,800.00	69,600.00	68,250.00	1,350.00
Fuel Expense	-	4,160.00	-	4,160.00
Electricity Expense	265,835.00	514,054.00	516,042.00	(1,988.00)
Administrative Expense	13,935.83	19,414.49	18,717.13	697.36
Professional Services	3,880.49	6,643.10	1,659.76	4,983.34
Insurance Expense	46,393.24	92,786.50	111,332.00	(18,545.50)
General Expense	3,266.00	25,250.00	24,750.00	500.00
Depreciation Expense	673,500.00	1,347,000.00	1,347,000.00	-
Property Taxes Expense	39,971.25	79,942.50	78,975.64	966.86
Steam Efficiency Payment	144,696.00	144,696.00	91,537.00	53,159.00
TOTAL OPERATING EXPENSES	<u>1,226,277.81</u>	<u>2,303,546.59</u>	<u>2,258,263.53</u>	<u>45,283.06</u>
INCOME FROM OPERATIONS	<u>803,388.87</u>	<u>2,491,019.01</u>	<u>2,345,140.02</u>	<u>145,878.99</u>
<u>OTHER INCOME</u>				
Investment Earnings	6,953.47	20,989.62	6,034.59	14,955.03
<u>OTHER EXPENSES</u>				
Interest Expense and Related Amortization	522,410.82	1,044,821.64	1,148,571.64	(103,750.00)
Interest Expense on Cumulative Preferred Dividend	16,163.87	32,327.75	23,629.26	8,698.49
TOTAL OTHER EXPENSES	<u>538,574.69</u>	<u>1,077,149.39</u>	<u>1,172,200.90</u>	<u>(80,096.48)</u>
NET INCOME BEFORE CUMULATIVE PREFERRED DIVIDEND	271,767.65	1,434,859.24	1,178,973.71	255,885.53
Cumulative Preferred Dividend	42,347.51	84,695.03	84,695.03	-
NET INCOME	<u>\$ 229,420.14</u>	<u>1,350,164.21</u>	<u>1,094,278.68</u>	<u>255,885.53</u>
Total Net Assets at beginning of Year		(2,769,759.64)	(3,662,600.07)	892,840.43
Distributions		(147,390.00)	(400,000.00)	252,610.00
Preferred Equity Distributions		-	-	-
TOTAL NET ASSETS		<u>\$ (1,566,985.43)</u>	<u>\$ (2,968,321.39)</u>	<u>\$ 1,401,335.96</u>

**WESTERN GENERATION AGENCY
STATEMENT OF CHANGES IN FUND NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 2011
AND FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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, 2009	\$ 2,150,984.94	\$ (2,906,792.50)	\$ (2,906,792.51)	\$ (3,662,600.07)
Preferred Equity Distributions	-	-	-	-
Partners Distributions	-	(372,853.50)	(372,853.50)	(745,707.00)
Income	-	819,273.71	819,273.72	1,638,547.43
Balance as of December 31, 2010	2,150,984.94	(2,460,372.29)	(2,460,372.29)	(2,769,759.64)
Preferred Equity Distributions	-	-	-	-
Partners Distributions	-	(73,695.00)	(73,695.00)	(147,390.00)
Income	-	675,082.11	675,082.10	1,350,164.21
Balance at June 30, 2011	<u>\$ 2,150,984.94</u>	<u>\$ (1,858,985.18)</u>	<u>\$ (1,858,985.19)</u>	<u>\$ (1,566,985.43)</u>

**WESTERN GENERATION AGENCY
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from BPA	\$ 5,028,017.45	\$ 5,191,672.51
Payments to Georgia Pacific	(583,996.00)	(697,233.00)
Payment for Administrative and General Cost	(46,833.56)	3,395.21
Change in net cash from operating activities	<u>4,397,187.89</u>	<u>4,497,834.72</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of Investments	(1,734,314.65)	(7,453,129.18)
Proceeds from Investments	481,867.31	10,657,116.95
Interest Received on Investments	5,157.90	7,410.23
Change in net cash from investing activities	<u>(1,247,289.44)</u>	<u>3,211,398.00</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Interest Payments on Bonds	(1,076,125.00)	(1,176,500.00)
Bond Principal Payments	(4,150,000.00)	(4,015,000.00)
Equity Distributions	(147,390.00)	(345,707.00)
Change in net cash from capital and related financing	<u>(5,373,515.00)</u>	<u>(5,537,207.00)</u>
Change in cash and cash equivalents	(2,223,616.55)	2,172,025.72
Cash and cash equivalents at beginning of period	6,421,230.87	2,667,711.21
Cash and cash equivalents at end of period	<u>\$ 4,197,614.32</u>	<u>\$ 4,839,736.93</u>
Reconciliation to Balance Sheet		
Cash and Cash Equivalents	\$ 1,980,282.71	\$ 2,062,796.74
Restricted Cash Equivalents	2,217,331.61	2,776,940.19
	<u>\$ 4,197,614.32</u>	<u>\$ 4,839,736.93</u>
Reconciliation of operating income to net cash from operating activities:		
Net Operating Revenue	\$ 2,491,019.01	\$ 2,345,140.02
Adjustments to reconcile operating income to change in net cash from operating activities:		
Depreciation	1,347,000.00	1,347,000.00
(Increase) decrease in assets:		
Receivable	233,451.85	588,268.96
Prepayments and current assets	172,729.00	178,307.64
Increase (decrease) in liabilities:		
Accounts Payable	152,988.03	39,118.10
Property Tax	-	-
Change in net cash from operating activities	<u>\$ 4,397,187.89</u>	<u>\$ 4,497,834.72</u>

WESTERN GENERATION AGENCY

***WAUNA COGENERATION
PROJECT***

Management Discussion of Operations

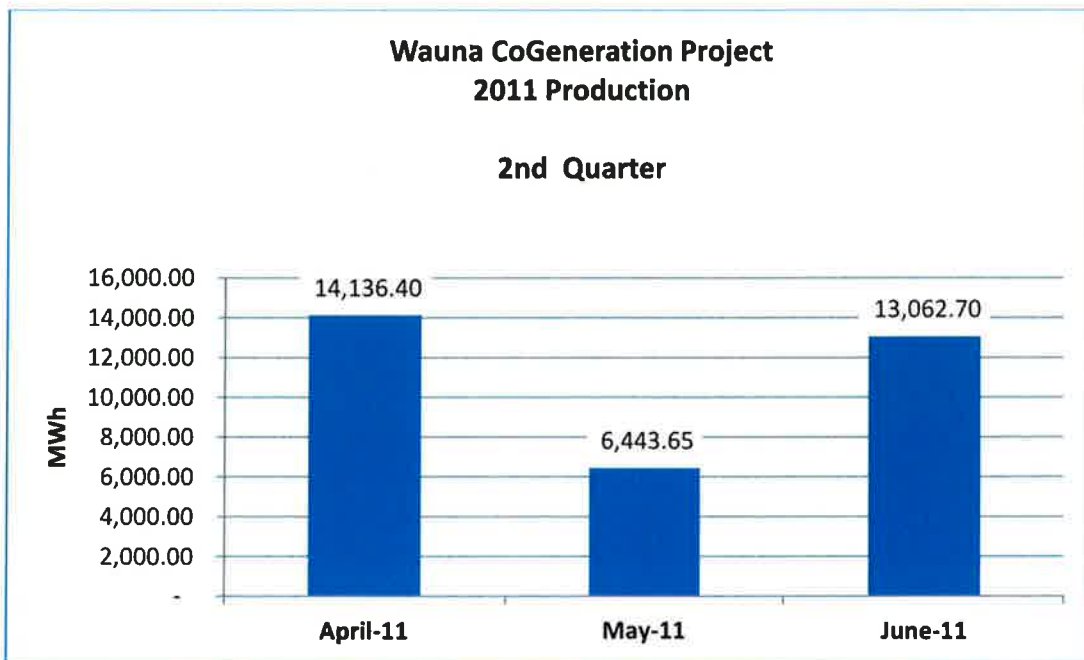
April 1 to June 30, 2011

**WESTERN GENERATION AGENCY
WAUNA COGENERATION PROJECT**

MANAGEMENT DISCUSSION OF OPERATIONS

The following discussion provides an overview of the operation of the Wauna Cogeneration Project (Project) between April 1, 2011 and June 30, 2011.

Turbine-Generator. The Project operated through the second quarter of 2011 with the exception of a planned mill outage May 9th through May 22nd. Bonneville Power Administration (Bonneville) did not displace the Project at any time during this quarter.



The Project produced and Bonneville purchased **33,642.75** megawatt hours (MWh) of electricity in the second quarter of 2011. As a comparison, for the fourth quarter of 2010, **33,606.23** MWh of electricity were purchased and in the first quarter of 2011 Bonneville purchased **45,829.59** MWh.

Availability for the second quarter 2011 was 82% (planned outage in May).

Fluidized Bed Boiler (FBB). The fluidized bed boiler continues to operate successfully.

Future Expected Operation. There are no planned outages for the remainder of the 2011 calendar year.