



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Helgeson, Manning, Mital and Brown
FROM: Sue Fahey, Finance Manager; Susan Eicher, Accounting and Treasury Supervisor
DATE: July 22, 2016
SUBJECT: Electric Utility Revenue Refunding Bonds Preliminary Official Statement
OBJECTIVE: Information Only

Issue

The Eugene City Council has approved issuing Electric Utility Revenue Refunding Bonds to achieve interest savings, and the Board is scheduled to authorize the sale of these bonds at its August 2, 2016 meeting via Resolution No. 1622. One of the requirements prior to issuing bonds is to prepare and circulate an Official Statement. In advance of rating agency calls the week of July 11th, a draft Preliminary Official Statement (POS) was sent to the rating agencies. The 2016 draft Electric POS is provided for your information. Pricing of the Series 2016 Electric Bonds is anticipated to occur at the end of August.

Background

At the June 7, 2016 Board meeting, Commissioners approved Resolution No. 1617 requesting City Council action on the issuance and sale of Electric Utility System Revenue Refunding Bonds, Series 2016. The City Council adopted Resolution No. 5162 at its July 11, 2016 meeting which authorized the sale of bonds not to exceed \$156 million for refinancing existing bonds to achieve interest rate savings. The potential refunding of all or parts of 2005, 2006, 2008 and 2011A bonds is expected to generate in excess of \$10.7 million present value savings (in excess of 8%). Costs of issuance are to be paid from bond proceeds.

Recommendation/Requested Board Action

No action is requested at this time.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2016**NEW ISSUE
BOOK-ENTRY ONLY****Moody's Rating: Applied For
S&P Global Rating: Applied For
Fitch Rating: Applied For****See "UNDERWRITING AND LEGAL INFORMATION—Rating."**

In the opinion of Mersereau Shannon LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by EWEB described herein, interest on the Series 2016A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that interest on the Series 2016A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2016A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is of the opinion that interest on the Series 2016B Bonds is not excluded from gross income for Federal income tax purposes under Section 103 of the Code. In the opinion of Bond Counsel, interest received by the holders of the Series 2016 Bonds is exempt from Oregon personal income tax under existing law. See "TAX MATTERS" herein regarding certain other tax considerations.

**CITY OF EUGENE, OREGON**

\$ _____*
**ELECTRIC SYSTEM REVENUE
REFUNDING BONDS,
SERIES 2016A**

\$ _____*
**ELECTRIC SYSTEM REVENUE
REFUNDING BONDS,
SERIES 2016B (TAXABLE)**

DATED: Date of Delivery**DUE: August 1, as shown on the inside cover**

The City of Eugene, Oregon Electric System Revenue Refunding Bonds, Series 2016A (the "Series 2016A Bonds") and the City of Eugene, Oregon Electric System Revenue Refunding Bonds, Series 2016B (Taxable) (the "Series 2016B Bonds," and together with the Series 2016A Bonds, the "Series 2016 Bonds"), will be issued by the City of Eugene, Oregon (the "City"), acting by and through the Eugene Water & Electric Board ("EWEB"), as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of ownership interests in the Series 2016 Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of such ownership interests will not receive physical delivery of bond certificates. Principal of and interest on the Series 2016 Bonds are payable directly to DTC by U.S. Bank National Association, Portland, Oregon, as Trustee. Principal is payable on August 1 of the years set forth on the inside cover page. Interest is payable at the rates as shown on the inside cover page on February 1, 2017, and semiannually thereafter on August 1 and February 1 of each year. Upon receipt, DTC is obligated to remit principal and interest to DTC's participants for subsequent disbursement to the purchasers of ownership interests in the Series 2016 Bonds. See Appendix E—"BOOK-ENTRY SYSTEM."

The Series 2016 Bonds are subject to redemption at the option of EWEB prior to maturity in whole or in part as described herein. See "DESCRIPTION OF THE SERIES 2016 BONDS—Redemption Provisions."

MATURITY SCHEDULE — SEE INSIDE COVER

The Series 2016 Bonds are being issued to refund certain outstanding bonds of the Electric System and to pay costs of issuance of the Series 2016 Bonds. See "PURPOSE AND APPLICATION OF BOND PROCEEDS."

The Series 2016 Bonds are special obligations of the City, payable solely from the Net Revenues of the City's Electric System and other funds pledged therefor by the Resolution (as defined in "INTRODUCTION"). The Series 2016 Bonds are not general obligations of the State of Oregon or any political subdivision thereof. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2016 Bonds. The Series 2016 Bonds are issued on a parity with \$198,847,556 in aggregate principal amount of the City's outstanding Electric System revenue bonds (the "outstanding Bonds"), of which approximately \$67,875,000* is expected to be defeased or refunded with these Series 2016 Bonds. Additional bonds payable on a parity with the outstanding Bonds and the Series 2016 Bonds may be issued subject to certain limitations. EWEB has pledged that it will not issue any additional bonds which are secured by a lien on the revenues of the Electric System that is superior to the lien on the outstanding Bonds and the Series 2016 Bonds. See "SECURITY FOR THE BONDS."

This cover page contains certain information for quick reference only. It is not a summary. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2016 Bonds are offered when, as and if issued, subject to receipt by the Underwriter of the final approving legal opinion of Mersereau Shannon LLP, Bond Counsel to EWEB, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Foster Pepper PLLC, Seattle, Washington. The Series 2016 Bonds are expected to be delivered on or about September __, 2016, through the facilities of DTC in New York, New York by Fast Automated Securities Transfer.

RBC Capital Markets

Dated as of _____, 2016.

* Preliminary, subject to change.

MATURITY SCHEDULES, INTEREST RATES, YIELDS AND CUSIP NUMBERS

CITY OF EUGENE, OREGON

\$ _____ *

ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2016A

<u>Due</u> <u>August 1 *</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.*</u>
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\$ _____ *

ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2016B (TAXABLE)

<u>Due</u> <u>August 1 *</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.*</u>
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* Preliminary, subject to change.

** The CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the America Bankers Association by S&P Global Market Intelligence. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the City or EWEB and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Series 2016 Bonds. Neither the City, EWEB nor the Underwriter takes any responsibility for the accuracy of the CUSIP numbers.

EUGENE WATER & ELECTRIC BOARD
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Eugene, Oregon 97401
(541) 685-7000
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BOARD OF COMMISSIONERS

John Simpson	President
Dick Helgeson	Vice President
John Brown	Commissioner
James Manning	Commissioner
Steve Mital	Commissioner

ADMINISTRATIVE MANAGEMENT

Frank Lawson	General Manager and Secretary
Dave Churchman	Power Operations Manager
Mike McCann	Generation and Fleet Services Manager
Susan Fahey	Financial Services Manager and Treasurer
Susan Eicher	Accounting and Treasury Supervisor and Assistant Treasurer

GENERAL COUNSEL

Luvaas Cobb Law
Eugene, Oregon

SPECIAL COUNSEL

Cable Houston Benedict Haagesen & Lloyd LLP
Portland, Oregon

Law Offices of Jeremy D. Weinstein
Walnut Creek, California

BOND COUNSEL

Mersereau Shannon LLP
Portland, Oregon

FINANCIAL ADVISOR

Piper Jaffray & Co.
Seattle, Washington

TRUSTEE

U.S. Bank National Association
Portland, Oregon

* The EWEB website is not part of this Official Statement and investors should not rely on information presented in the EWEB website in determining whether to purchase the Series 2016 Bonds. This inactive textual reference to the EWEB website is not a hyperlink and does not incorporate the EWEB website by reference.

The information within this Official Statement has been compiled from official and other sources considered reliable and, while not guaranteed as to accuracy, is believed by the City and EWEB to be correct as of its date. The City and EWEB make no representation regarding the accuracy or completeness of the information in Appendix E—“BOOK-ENTRY SYSTEM,” which has been obtained from DTC’s website, or regarding the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made by use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or EWEB since the date hereof.

Information on website addresses set forth in this Official Statement is not incorporated into this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement, nor can any such information be relied upon in making investment decisions regarding the Series 2016 Bonds.

No dealer, broker, salesperson, or other person has been authorized by the City, EWEB or the Underwriter to give any information or to make any representations with respect to the Series 2016 Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the City, EWEB or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Series 2016 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued or recommenced at any time without prior notice to any person.

In connection with its report on the audited financial statements of EWEB (see Appendix B), Moss Adams LLP has provided the following language for inclusion in this Official Statement. “Moss Adams LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Moss Adams LLP also has not performed any procedures relating to this Official Statement.”

The Series 2016 Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The Series 2016 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary may be a criminal offense.

The presentation of certain information, including tables of receipts from revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City or EWEB. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Certain statements contained in this Official Statement do not reflect historical facts, but rather are forecasts and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “believe” and other similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. All estimates, projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. These forward-looking statements speak only as of the date they were prepared. The City and EWEB specifically disclaim any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement, except as otherwise expressly provided in “CONTINUING DISCLOSURE.”

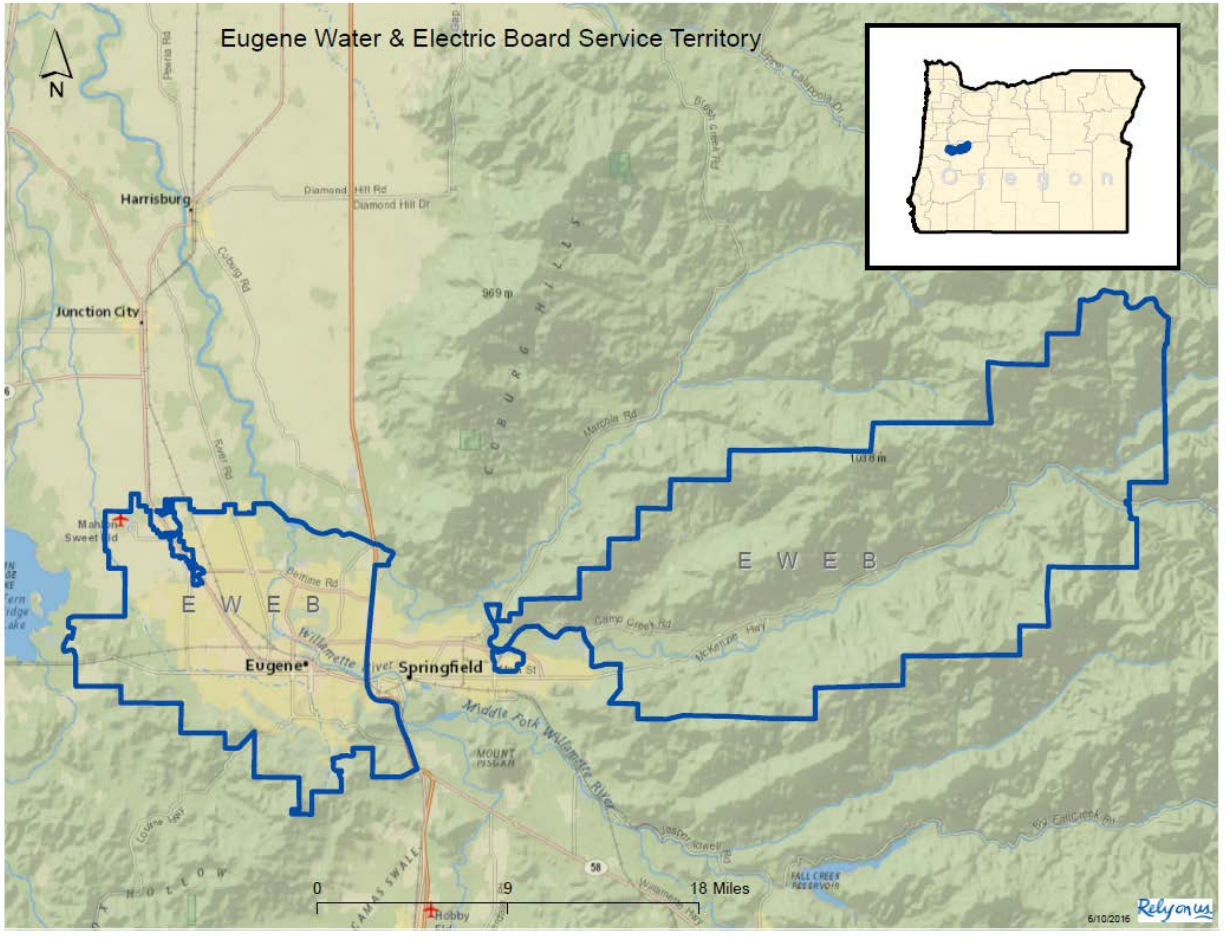
The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The offering of the Series 2016 Bonds is made only by means of this entire Official Statement.

This Preliminary Official Statement, as of its date, is in a form “deemed final” by the City and EWEB for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) but is subject to revision, amendment, and completion in a final Official Statement which will be available within seven business days of the sale date.

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Eugene Water & Electric Board Service Territory



OFFICIAL STATEMENT

CITY OF EUGENE, OREGON

\$ _____ *

ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2016A

\$ _____ *

ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2016B (TAXABLE)

INTRODUCTION

The Eugene Water & Electric Board (the “Board” or “EWEB”), chartered by the City of Eugene, Oregon (the “City” or “Eugene”), furnishes this Official Statement in connection with the offering of \$ _____* original principal amount of Electric Utility System Revenue Refunding Bonds, Series 2016A (the “Series 2016A Bonds”) and \$ _____* original principal amount of Electric Utility System Revenue Refunding Bonds, Series 2016B (Taxable) (the “Series 2016B Bonds,” and together with the Series 2016A Bonds, the “Series 2016 Bonds”).

This Official Statement, which includes the cover page, inside cover page and appendices hereto, sets forth information concerning the Series 2016 Bonds, the City, EWEB and the Electric System.

The Series 2016 Bonds are issued pursuant to the laws of the State of Oregon (the “State”), the Charter of the City, a resolution adopted by the Board of Commissioners of EWEB on June 16, 1986 (the “Master Resolution”), a resolution of the City Council adopted on June 25, 2001, Resolution No. 1617 adopted by the Board of Commissioners of EWEB on June 7, 2016, Resolution No. _____ adopted by the City Council on July 11, 2016, and Supplemental Resolution No. _____ adopted by the Board of Commissioners of EWEB on August 2, 2016. The Master Resolution and Supplemental Resolution No. _____ are referred to herein as the “Resolution.” The Series 2016 Bonds are being issued under the authority of Oregon Revised Statutes (“ORS”) Section 287A.150 et seq.

On August 2, 2016, the Board of Commissioners of EWEB adopted an Amended and Restated Electric System Bond Resolution (the “Amended and Restated Bond Resolution”), to amend the Master Resolution. The Amended and Restated Bond Resolution makes substantial changes to the Master Resolution including, but not limited to, definitions, covenants, the requirement that a Trustee hold the Bond Fund and the Reserve Account, the Reserve Account Requirement, additional Bonds test, defaults and remedies. See Appendix A for a detailed summary of the Amended and Restated Bond Resolution. The Amended and Restated Bond Resolution will go into effect upon the consent of the holders of not less than a majority of the Bonds (defined below)[, which is expected to be in 2017], at which time it will apply to the Series 2016 Bonds. The holders of the Series 2016 Bonds have been deemed to consent to the Amended and Restated Bond Resolution.

The Series 2016 Bonds are issued on a parity of lien with the following EWEB obligations (collectively, the “Bonds”):

- Electric Utility System Current Interest Revenue Bonds, Series 2001A (Federally Taxable), outstanding in the principal amount of \$16,415,000 (the “Series 2001A Current Interest Bonds”);
- Electric Utility System Capital Appreciation Revenue Bonds, Series 2001A (Federally Taxable), outstanding in the principal amount of \$4,067,555.95 (excluding the accreted value) (the “Series 2001A Capital Appreciation Bonds”);

* Preliminary, subject to change.

- Electric Utility System Revenue Bonds, Series 2005, outstanding in the principal amount of \$5,860,000 (the “Series 2005 Bonds”), all or a portion of which is expected to be defeased or refunded with these Series 2016 Bonds and other funds of EWEB;
- Electric Utility System Revenue Bonds, Series 2006, outstanding in the principal amount of \$7,840,000 (the “Series 2006 Bonds”), all or a portion of which is expected to be defeased or refunded with these Series 2016 Bonds and other funds of EWEB;
- Electric Utility System Revenue and Refunding Bonds, Series 2008, outstanding in the principal amount of \$62,990,000 (the “Series 2008 Bonds”), all or a portion of which is expected to be defeased or refunded with these Series 2016 Bonds and other funds of EWEB;
- Electric Utility System Revenue and Refunding Bonds, Series 2011A, outstanding in the principal amount of \$58,645,000 (the “Series 2011A Bonds”), a portion of which is expected to be defeased or refunded with these Series 2016 Bonds and other EWEB funds;
- Electric Utility System Revenue Refunding Bonds, Series 2011B (Federally Taxable), outstanding in the principal amount of \$6,165,000 (the “Series 2011B Bonds”); and
- Electric Utility System Revenue and Refunding Bonds, Series 2012, outstanding in the principal amount of \$36,865,000 (the “Series 2012 Bonds”).

EWEB has pledged in the Resolution that it will not issue any indebtedness that is secured by a lien on the Net Revenue of the Electric System that is superior to the lien of the Bonds and the Series 2016 Bonds. EWEB reserves the right in the Resolution to issue additional bonds on a parity with the Bonds and the Series 2016 Bonds (the “Additional Bonds”), subject to certain limitations described herein under “SECURITY FOR THE BONDS—Additional Indebtedness.”

The Series 2016 Bonds are being issued (i) to refund and defease (together with other funds of EWEB, if necessary) none, all or a portion of the outstanding Series 2005 Bonds, Series 2006 Bonds, Series 2008 Bonds and Series 2011A Bonds, and (ii) to pay certain costs of issuing the Series 2016 Bonds. See “PURPOSE AND APPLICATION OF BOND PROCEEDS.”

Certain capitalized words and phrases used in this Official Statement have the meanings as defined in the Resolution, unless the context shall clearly indicate that another meaning is intended. See Appendix A—“SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION.”

PURPOSE AND APPLICATION OF BOND PROCEEDS

Proceeds of the Bonds will be used to refund and defease certain of EWEB’s outstanding Bonds (described below), and to pay costs of issuance of the Series 2016 Bonds.

Refunding Plan

If market conditions are favorable, in order to effect a debt service savings, a portion of the proceeds of the Series 2016 Bonds and other EWEB funds, if necessary, will be used to retire, defease and refund all or a portion of the following Series 2005 Bonds, Series 2006 Bonds, Series 2008 Bonds and Series 2011A Bonds (the “Refunding Candidates”), in the following amounts at a price of par on their redemption date. The Refunding Candidates refunded with proceeds of the Series 2016 Bonds will be the Refunded Bonds.

Refunding Candidates

Bond	Maturity Date	Par Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP Numbers
<i>Electric Utility System Revenue Bonds, Series 2005</i>						
Serials	2017	\$ 550,000	4.000%	09/__/2016	100%	298191YA9
	2018	570,000	4.250	09/__/2016	100	298191YB7
	2019	595,000	4.250	09/__/2016	100	298191YC5
	2020	615,000	4.250	09/__/2016	100	298191YD3
Term	2022	1,320,000	4.500	09/__/2016	100	298191YF8
Term	2025	2,210,000	4.500	09/__/2016	100	298191YJ0
Subtotal		\$5,860,000				
<i>Electric Utility System Revenue Bonds, Series 2006</i>						
Serials	2017	\$ 625,000	4.000%	09/__/2016	100%	298191YV3
	2018	655,000	4.000	09/__/2016	100	298191YW1
	2019	690,000	4.000	09/__/2016	100	298191YX9
	2020	720,000	4.125	09/__/2016	100	298191YY7
	2021	760,000	4.125	09/__/2016	100	298191YZ4
	2022	795,000	4.125	09/__/2016	100	298191ZA8
	2023	835,000	4.200	09/__/2016	100	298191ZB6
	2024	875,000	4.200	09/__/2016	100	298191ZC4
	2025	920,000	4.250	09/__/2016	100	298191ZD2
	2026	965,000	4.250	09/__/2016	100	298191ZE0
Subtotal		\$7,840,000				
<i>Electric Utility System Revenue and Refunding Bonds, Series 2008</i>						
Serials	2019	\$ 5,070,000	5.000%	08/01/2018	100%	298191ZT7
	2020	5,555,000	5.000	08/01/2018	100	298191ZU4
	2021	6,085,000	5.000	08/01/2018	100	298191ZV2
	2022	6,640,000	5.000	08/01/2018	100	298191ZW0
	2023	2,200,000	4.500	08/01/2018	100	298191ZX8
	2024	2,300,000	4.500	08/01/2018	100	298191ZY6
	2025	2,405,000	4.750	08/01/2018	100	298191ZZ3
	2026	2,520,000	4.750	08/01/2018	100	298191A23
	2027	2,640,000	4.750	08/01/2018	100	298191A31
	2028	2,765,000	4.750	08/01/2018	100	298191A49
Term	2030	5,935,000	5.000	08/01/2018	100	298191A56
Term	2033	10,060,000	5.000	08/01/2018	100	298191A64
Subtotal		\$54,175,000				
<i>Electric Utility System Revenue and Refunding Bonds, Series 2011A</i>						
Serials	2022	\$ 1,660,000	5.000%	08/01/2021	100%	298191C21
	2023	2,480,000	5.000	08/01/2021	100	298191C39
	2024	2,610,000	5.000	08/01/2021	100	298191C47
	2025	2,645,000	5.000	08/01/2021	100	298191C54
	2026	3,030,000	5.000	08/01/2021	100	298191C62
	2027	3,180,000	5.000	08/01/2021	100	298191C70
	2028	3,440,000	5.000	08/01/2021	100	298191C88
	2029	3,510,000	5.000	08/01/2021	100	298191C96
	2030	3,685,000	5.000	08/01/2021	100	298191D20
	2031	3,865,000	4.625	08/01/2021	100	298191D38
	2032	3,400,000	4.250	08/01/2021	100	298191D53
Term	2040	14,375,000	5.000	08/01/2021	100	298191D46
Subtotal		\$47,880,000				
Total		\$67,875,000				

A portion of the net proceeds from the sale of the Series 2016 Bonds, together with other funds of EWEB, will be irrevocably deposited in the Refunding Account (the “Refunding Account”) and will be held in cash or may be used to purchase direct, non-callable obligations of the United States of America (the “Escrow Obligations”) to be held by U.S. Bank National Association (the “Escrow Agent”) under an escrow deposit agreement (the “Escrow Agreement”), dated the date of delivery of the Series 2016 Bonds, between EWEB and the Escrow Agent. The Escrow Obligations will mature at such times and pay interest in such amounts that will provide, with other available funds held by the Escrow Agent under the Escrow Agreement, sufficient money to pay the interest on the Refunded Bonds coming due on and prior to the redemption dates set forth above and to redeem and retire the Refunded Bonds on the redemption dates set forth above at a price of 100 percent of the principal amount to be redeemed. Since all payments of principal of and interest on the Refunded Bonds will thereafter be provided for from money and securities on deposit with the Escrow Agent under the Escrow Agreement, the liens, pledges and covenants of the Refunded Bonds will terminate and be discharged and released.

An independent verification shall be obtained from Grant Thornton LLP stating that the Escrow Obligations held by the Escrow Agent and the interest to be earned thereon, together with any money held by the Escrow Agent, will be sufficient to make all such interest payments to the redemption date for the Refunded Bonds and to pay the principal and premium, if any, of the Refunded Bonds on the date fixed for redemption. The verification will also confirm the correctness of the mathematical computations supporting the conclusion of Bond Counsel that the Series 2016 Bonds are not “arbitrage bonds” as defined by Section 148 of the Internal Revenue Code of 1986, as amended.

Sources and Uses of Funds

The following table shows the sources and uses of the Series 2016 Bond proceeds:

SOURCES OF FUNDS	Series 2016A Bonds	Series 2016B Bonds	Total
Principal Amount of the Series 2016 Bonds	\$	\$	\$
[Net] Original Issue Premium/(Discount)			
Reserve Account Contribution			
Available Debt Service Funds			
Total Sources of Funds	\$	\$	\$
 USES OF FUNDS			
Deposit to Refunding Account	\$	\$	\$
Underwriter’s Discount and Issuance Costs ⁽¹⁾			
Total Uses of Funds	\$	\$	\$

(1) Issuance costs include legal fees, financial advisor fee, escrow agent fee, verification report, rating fee, and other costs incurred in connection with the issuance of the Series 2016 Bonds.

DESCRIPTION OF THE SERIES 2016 BONDS

General

The Series 2016 Bonds will be issued as fully registered bonds in denominations of \$5,000, or integral multiples thereof within a single maturity and series, will be dated their date of delivery, and will mature on August 1 in the years and in the amounts set forth on the inside cover page of this Official Statement.

The Series 2016 Bonds will bear interest from their date at the respective rates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months, and is payable commencing February 1, 2017, and semiannually thereafter on each August 1 and February 1 to the respective dates of maturity of the Series 2016 Bonds or prior redemption thereof.

U.S. Bank National Association will act as Bond Fund Trustee, paying agent and registrar for the Series 2016 Bonds. So long as there is not an Event of Default under the Resolution, EWEB shall have the discretion to

determine that the Bond Fund Trustee shall have no duties, obligations or responsibilities under the Resolution and that EWEB shall act in place of the Bond Fund Trustee and hold all money under the Resolution now prescribed to be held by the Bond Fund Trustee. If EWEB has made such determination and an Event of Default shall occur under the Resolution, the Bond Fund Trustee shall immediately be reinstated as Bond Fund Trustee and perform all duties and accept all obligations and responsibilities as prescribed by the Resolution. After the curing or waiving of all such Events of Default, EWEB may once again determine that the Bond Fund Trustee shall bear no duties, obligations or responsibilities under the Resolution. See “SECURITY FOR THE BONDS.”

The Series 2016 Bonds will be issued initially in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2016 Bonds. Individual purchases may be made in book-entry form only as described under Appendix E—“BOOK-ENTRY SYSTEM.” Purchasers will not receive certificates representing their interest in the Series 2016 Bonds purchased. So long as Cede & Co. is the registered owner of the Series 2016 Bonds, as nominee of DTC, references herein to the “registered owners” or “bondholders” will mean Cede & Co. and will not mean the “beneficial owners” of the Series 2016 Bonds. In this Official Statement, the term “beneficial owner” will mean the person for whom a DTC participant acquires an interest in the Series 2016 Bonds.

Procedure in the Event of Revisions to Book-Entry Transfer System

If EWEB is unable to retain a qualified successor to DTC or EWEB has determined that it is in the best interest of EWEB not to continue the book-entry system of transfer or that interests of beneficial owners of the Series 2016 Bonds might be adversely affected if the book-entry system of transfer is continued, EWEB will execute, authenticate and deliver at no cost to the beneficial owners of the Series 2016 Bonds or their nominees, Series 2016 Bonds in fully registered form, in the denomination of \$5,000 or any integral multiple thereof. Thereafter, the principal of the Series 2016 Bonds will be payable upon due presentment and surrender thereof at the principal office of the Bond Fund Trustee, interest on the Series 2016 Bonds will be payable by check or draft mailed to the persons in whose names such Series 2016 Bonds are registered, at the address appearing upon the registration books on the 15th day of the calendar month (whether or not a business day) immediately preceding an interest payment date (each a “Record Date”), and the Series 2016 Bonds will be transferable as provided in the Resolution.

Redemption Provisions

Optional Redemption. The Series 2016 Bonds maturing in the years 20__ through 20__, inclusive, are not subject to redemption prior to their stated maturity dates. The Series 2016 Bonds maturing on and after August 1, 20__, are subject to redemption at the option of EWEB prior to their stated maturity dates at any time on or after _____, 20__, as a whole or in part (within one or more maturities selected by EWEB), at a price equal to the stated principal amount to be redeemed plus accrued interest, if any, to the date fixed for redemption.

[special taxable redemption language?]

Partial Redemption of any Bond. If less than all of the Series 2016 Bonds are to be redeemed at the option of EWEB, EWEB may select the maturity or maturities to be redeemed. If less than all of the Series 2016 Bonds of any maturity or series are to be optionally redeemed, the Series 2016 Bonds or portions thereof to be redeemed are to be selected randomly by the Bond Fund Trustee or DTC, as applicable, in accordance with their respective standard procedures. The portion of any Series 2016 Bonds of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof and in selecting portions of such Series 2016 Bonds for redemption, the Bond Fund Trustee will treat each such Series 2016 Bonds as representing that number of such Series 2016 Bonds of \$5,000 denomination that is obtained by dividing the principal amount of such Series 2016 Bonds to be redeemed in part by \$5,000.

Notice of Redemption. [Which version to use (from Master Res or Supp Res)?] Written notice of any optional redemption of Series 2016 Bonds shall be given on behalf of EWEB, which notice shall specify the Series 2016 Bonds to be redeemed, the redemption date and the place or places where the amount due upon such redemption will be payable and, in the case of Series 2016 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that upon the date fixed for redemption there shall become due and payable upon each Series 2016 Bond to be redeemed the principal

amount thereof plus the premium, if any, due thereon upon the redemption date, together with interest accrued to the redemption date, and that from and after the redemption date interest thereon, or on the portion of any Series 2016 Bond to be redeemed in part (unless EWEB shall default in the payment of the Series 2016 Bonds, or of the portion of any Series 2016 Bond so to be redeemed in part) shall cease to accrue and become payable. Such notice shall be mailed not less than 25 days before the redemption date by registered mail to the bondholder of Series 2016 Bonds as of the 45th day (whether or not a business day) next preceeding the date fixed for redemption at the address as it appears on the books of registry. Whenever notice of redemption has been duly given as herein provided, EWEB shall transfer to the Bond Fund Trustee so to be redeemed amounts in cash which, in addition to other money, if any, held by such Bond Fund Trustee for such purpose, will be sufficient to redeem, on the redemption date, all the Series 2016 Bonds so to be redeemed.

In the case of an optional redemption, the notice may state that EWEB retains the right to rescind the redemption notice and the related optional redemption of Series 2016 Bonds by giving a notice of rescission to the affected registered owners at any time prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Series 2016 Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

[The foregoing notice provisions of this section, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.]

Defeasance of the Series 2016 Bonds

In the event that EWEB, in order to effect the payment, retirement or redemption of the Series 2016 Bonds, sets aside in the Bond Fund or in another special account, held in trust by the Bond Fund Trustee, paying agent for such Bonds or escrow agent, money or certain Investment Securities (under (i), (iv) and (viii) in the definition of "Investment Securities" as shown in Appendix A) in amounts which will mature and pay interest on or prior to the Series 2016 Bond payment dates and which are sufficient to redeem, retire or pay such Series 2016 Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such money or Investment Securities are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Series 2016 Bond. The bondholder of such Series 2016 Bond shall have the right to receive payment of the principal of and interest on the defeased Series 2016 Bonds from the trust account. EWEB shall include in the refunding or defeasance plan such provisions as EWEB deems necessary for the random selection of any defeased Series 2016 Bonds that constitute less than all of a particular maturity of the Series 2016 Bonds, for notice of the defeasance to be given to the owners of the defeased Series 2016 Bonds and to such other persons as EWEB shall determine, and for any required replacement of Series 2016 Bond certificates for defeased Series 2016 Bonds. The defeased Series 2016 Bonds shall be deemed no longer outstanding and EWEB may apply any money in any other fund or account established for the payment or redemption of the defeased Series 2016 Bonds to any lawful purposes as it shall determine.

[*special taxable defeasance language?*]

SECURITY FOR THE BONDS

On August 2, 2016, the Board of Commissioners of EWEB adopted an Amended and Restated Electric System Bond Resolution (the "Amended and Restated Bond Resolution"), to amend the Master Resolution. The Amended and Restated Bond Resolution makes substantial changes to the Master Resolution including, but not limited to, definitions, covenants, the requirement that a Trustee hold the Bond Fund and the Reserve Account, the Reserve Account Requirement, additional Bonds test, defaults and remedies. See Appendix A for a detailed summary of the Amended and Restated Bond Resolution. The Amended and Restated Bond Resolution will go into effect upon the consent of the holders of not less than a majority of the Bonds (defined below)[, which is expected to be in 2017], at which time it will apply to the Series 2016 Bonds. The holders of the Series 2016 Bonds have been deemed to consent to the Amended and Restated Bond Resolution.

Pledge of Net Revenue

The Series 2016 Bonds are payable solely from and secured by a pledge of the Net Revenues of the Electric System, on a parity with the outstanding Bonds. The Master Resolution defines Net Revenues for any period as the Revenues during such period less the Operating Expenses during such period. The Revenues of the Electric System include, with certain exceptions, all income, fees, charges, receipts, profits, and other money derived by EWEB from the ownership and operation of the Electric System, exclusive of any electric utility properties hereafter constructed or acquired by EWEB as a separate utility system. Currently, the City has no separate electric utility system.

Pursuant to the Resolution, the Series 2016 Bonds are payable on a parity with the outstanding Bonds and any Additional Bonds hereafter issued and are secured by a pledge of the Revenues of the Electric System subject to the prior charge on such Revenues for the payment of Operating Expenses of the Electric System. All Bonds shall be equally and ratably payable and secured without priority.

The Electric System includes the electric utility properties and assets of EWEB, as well as additions and improvements thereto. Operating Expenses of the Electric System include the costs and expenses of operating and maintaining the Electric System. Pursuant to ORS 287A.310, the pledge of the Net Revenues made by EWEB is valid and binding from the time of the adoption of the Master Resolution. The Net Revenues so pledged and hereafter received by EWEB are immediately subject to the lien of such pledge without any physical delivery or further act, and the lien of the pledge shall be superior to all other claims and liens whatsoever to the fullest extent permitted by ORS 287A.310.

The Series 2016 Bonds do not constitute general obligations of the State or any political subdivision thereof, including the City, for the payment of which ad valorem taxes are required to be levied and are not to be considered as indebtedness within any constitutional, statutory or Charter limitation on the amount of indebtedness which the City may incur. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2016 Bonds.

Rate Covenant

EWEB has covenanted in the Master Resolution for the benefit of the Owners of the Series 2016 Bonds that it will fix, establish and collect rates and charges for electric power and energy and other services or facilities sold, furnished or supplied through the facilities of the Electric System, which will be: (i) sufficient in each Fiscal Year to produce Net Revenues of the [Distribution Division?] in such Fiscal Year which, together with other money which lawfully may be applied to the purpose, will be at least equal to the Debt Service on all outstanding Bonds for such Fiscal Year, and (ii) sufficient in each Fiscal Year to produce Net Revenues of the [Distribution Division] in such Fiscal Year which, together with other money which lawfully may be applied to the purpose, will be equal to at least the sum of (A) Debt Service for such Fiscal Year on all outstanding Bonds, (B) the amounts, if any, required to be transferred from the Revenue Fund and deposited in the Renewal and Replacement Fund in such Fiscal Year, and (C) the additional amounts, if any, required to pay all other charges or liens whatsoever payable from the Net Revenues of the [Distribution Division] in such Fiscal Year.

The "Distribution Division" *[need to clarify difference between Electric System and Distribution System throughout POS]* is the electric utility properties, assets and rights, real and personal, tangible and intangible, now owned by EWEB, and all properties and assets constructed or acquired as renewals, replacements, additions, improvements and betterments to and extensions of such properties and assets, including facilities for the generation, transmission and distribution of electric power and energy and the production, transmission and distribution of steam, but does not include (i) the City's ownership share of the Trojan Project [**Note: later says this is parity**], (ii) any Additional Generating Facilities, and (iii) any electric utility properties, assets and rights, real and personal, tangible and intangible, hereafter constructed or acquired by EWEB as a separate utility system, the revenues of which may be pledged to the payment of bonds issued to purchase, construct or otherwise acquire any such separate utility system.

Other Covenants

To Complete and Maintain Projects. EWEB will, subject to the provisions of any applicable Ownership Agreement, (i) proceed with reasonable diligence to construct to completion any Project undertaken by the Board, (ii) fulfill all of its obligations with respect to construction of any such Project or operation of the Electric System, (iii) maintain, preserve and keep the Electric System in good repair, and (iv) comply with the terms and conditions of licenses and permits issued by any governmental body with respect to the Electric System.

Ownership Agreements. EWEB will perform its obligations under each Ownership Agreement and will take such actions and proceedings from time to time as shall be necessary to protect and safeguard the security for the payment of the Series 2016 Bonds afforded by the provisions of each of said agreement, and will not voluntarily consent to or otherwise take any action under or in connection with any Ownership Agreement which in any matter will materially and adversely affect the rights of the holders from time to time of the Series 2016 Bonds; provided that such provision is not intended to prevent a supplement to or amendment of any Ownership Agreement so as to provide for the ownership, construction, installment and operation of additional generating units or transmission facilities or a supplement to or amendment of Ownership Agreement to extend the term thereof. EWEB is a party to the Harvest Wind Project and the Foote Creek I Wind Project under an Ownership Agreement. See “ELECTRIC SYSTEM POWER SUPPLY—EWEB-Owned Resources.”

Disposition of Properties. EWEB will not sell, mortgage, lease or otherwise dispose of any properties of the Electric System unless (a) simultaneous provision is made for retirement in full of all the Series 2016 Bonds, Bonds and other indebtedness payable from the Revenues of the Electric System, (b)(i) if such properties have a value of less than \$5,000,000, EWEB prescribes terms and conditions for sale, lease or disposal, or (ii) if such properties have a value in excess of \$5,000,000, a Consulting Engineer certifies to the Board in writing that the terms and conditions of the proposed sale, lease or other disposition of any such properties are fair and reasonable, and that the estimated gross revenues to be derived from the remaining properties of the Electric System, after taking into consideration the use by EWEB of the proceeds of such proposed sale, lease or other disposition of such properties will be sufficient to enable the Board to comply with all covenants and conditions of the Resolution, (c) the properties to be disposed of have become unserviceable, inadequate, obsolete, worn out, or unfit to be used in the operation of the Electric System, or no longer necessary, material to, or useful in such operation, (d) in the event any part of the properties comprising the Electric System are transferred from EWEB through the operation of law, (e) in the event that any Project shall be canceled, terminated or permanently shut down as provided in the applicable Ownership Agreement, or (f) such transfer of interest in any Project as may be required by an Ownership Agreement. Proceeds of any sale, lease or other disposition of any portion of the properties of the Electric System described in (b), (e) and (f) above are to be paid: (i) if such proceeds are not in excess of \$500,000 into the Power Revenue Fund, or (ii) if such proceeds are in excess of \$500,000, (A) into the Bond Retirement Account in the Bond Fund and applied to the purchase or redemption of Series 2016 Bonds, or (B) into the Power Revenue Fund and applied by EWEB for the purpose of constructing extensions, betterments, or improvements to the Electric System, as EWEB determines. Notwithstanding the preceding sentence, prior to the Date of Commercial Operation of such Project, money received will be paid to the Construction Fund Trustee for deposit to the Construction Fund established for such Project to be used to pay the Cost of Acquisition and Construction of such Project.

Insurance. EWEB will keep the works, plants and facilities comprising the properties of the Electric System and the operations thereof insured to the extent available at reasonable cost, with responsible insurers, against risk of direct physical loss, damages to or destruction of the Electric System, or any part thereof, at least to the extent that similar insurance is usually carried by utilities operating like properties.

In the event of any loss or damage to the properties of the Electric System covered by insurance, subject to the provision of any applicable Ownership Agreement or Power Sale Contract, EWEB will (1) with respect to each such loss, promptly repair and reconstruct, to the extent necessary to the proper conduct of the operations of the Electric System, the lost or damaged portion thereof and shall apply the proceeds of any insurance policy or policies covering such loss or damage for that purpose to the extent required therefor, unless in case of loss or damage involving \$500,000 or more, EWEB determines that such repair and reconstruction not be undertaken, and (2) if EWEB does not use the entire proceeds of such insurance to repair or reconstruct such lost or damaged property, the proceeds of such insurance policy or policies or any portion thereof not used for such repair or reconstruction, as the case may be, are to be paid: (i) if such proceeds are not in excess of \$500,000, into the Power Reserve Fund, or (ii) if

such proceeds are in excess of \$500,000, (A) into the Bond Retirement Account in the Bond Fund and applied to the purchase or redemption of Series 2016 Bonds or (B) into the Power Revenue Fund and applied by EWEB for the purpose of constructing extensions, betterments or improvements to the Electric System, as EWEB determines.

In the case of loss, including loss of Revenues, caused by delay in completion of, or by suspension or interruption of generation or transmission of power and energy by any Project, subject to the terms of any applicable Ownership Agreement, the proceeds received by EWEB of any insurance policy or policies covering such loss occurring prior to the date upon which purchasers of power and energy from such Project are obligated to begin payments is to be paid to the Construction Fund Trustee for deposit in the Construction Fund established for such Project, and the proceeds received by EWEB of any insurance policy or policies covering such loss after such date will be paid into the Power Revenue Fund.

Books of Account. EWEB will keep books of account relating to the Electric System in accordance with generally accepted accounting principles. Such books of accounting are to be audited annually by an independent certified public accountant. A copy of each audit report will be sent to any Bondholder filing with the Bond Fund Trustee a written request for a copy thereof.

Not to Furnish Free Service; Enforcement of Accounts Due. So long as any Series 2016 Bonds issued pursuant to the Resolution are outstanding and unpaid, EWEB will not furnish or supply electric power and energy or any other commodity, service or facility furnished by it or in connection with the operation of the Electric System, free of charge to the City or any properties owned or operated by it, or to any person, firm or corporation, public or private, and EWEB will promptly enforce the payment of any and all accounts owing to EWEB by reason of the ownership and operation of the Electric System.

Funds and Accounts

The Master Resolution established the Bond Fund, to be held by the Bond Fund Trustee, including an Interest Account, Principal Account, Bond Retirement Account, Reserve Account and the Renewal and Replacement Fund to be held by EWEB.

Bond Fund. The Bond Fund is to be used solely for the purpose of paying the principal of, premium, if any, and interest on the Series 2016 Bonds and of retiring the Series 2016 Bonds prior to maturity in the manner provided in the Resolution. Each month, after making the transfers to the Operating Fund, the Bond Fund for the Original Electric System Revenue Bonds and the Electric System Renewal and Replacement Fund, the Board will transfer from the Distribution Division General Fund as a first claim thereon to the Bond Fund Trustee for deposit into the Bond Fund amounts as following and in the following order of priority:

A. Interest Account. Commencing with the 25th day of the sixth month (or the month following delivery of the Series 2016 Bonds when the first installment is due in less than six months) prior to the due date of the first installment of interest on the Series 2016 Bonds of any Series, the Board will make equal monthly deposits with the Bond Fund Trustee, who will credit the Interest Account to provide for the payment of the interest on the Series 2016 Bonds as and when the same become due. In order to provide for the payment of the interest on the Series 2016 Bonds of a Series with any frequency other than semi-annually, the Board will pay or cause to be paid from the Power Revenue Fund amounts in accordance with the provisions of the Supplemental Resolution pursuant to which such Series of Bonds is issued. Interest capitalized from the proceeds of the bonds of a Series, accrued interest received from the initial purchasers of the Series 2016 Bonds of a Series and any other transfers or credits to the Interest Account are to be taken into consideration and allowed for in making the payments into the Interest Account.

B. Principal Account. Commencing on the 25th day of the twelfth month (or the month following delivery of the Series 2016 Bonds when the first maturity date is due in less than twelve months) prior to the first maturity date of Series 2016 Bonds of any Series issued in serial form and continuing in each month thereafter so long as any such Series 2016 Bonds are outstanding the Board will make monthly deposits into the Principal Account to provide for the payment of the principal of such Bonds as and when the same becomes due. Earnings on any money in the Principal Account will be allowed for in making the payments into the Principal Account.

C. Bond Retirement Account. Commencing on the 25th day of the twelfth month (or the month following delivery of the Series 2016 Bonds when the first sinking fund installment is due in less than twelve months) prior to the date upon which the first sinking fund installment is payable with respect to any Series 2016 Bonds which may be issued as Term Bonds, monthly payments are to be made into the Bond Retirement Account to provide for the retirement of the principal of such Series 2016 Bonds in the principal amounts and at the times specified in the Supplemental Resolution authorizing such Series of Series 2016 Bonds. In making the credits to the Bond Retirement Account, any earnings on money in said account will be allowed for.

D. Debt Service Reserve Account. The Master Resolution established a Reserve Account that secures the payment of all Electric System Utility Revenue Bonds. In the event of the issuance of any additional Series of Bonds, the Supplemental Resolution authorizing the issuance of such additional Series of Bonds shall provide for further and additional deposits from the money in the Power Revenue Fund into the Bond Fund for credit to the Reserve Account, in such amounts and at such times as may be reasonably practicable as set forth in said proceedings, so that by no later than five years from the date of such additional Series of Bonds there will then be on deposit in the Bond Fund and credited to the Reserve Account therein an amount equal to the Reserve Account Requirement provided, however, that the proceedings authorizing the issuance of additional Series of Bonds may provide for payments into the Bond Fund for credit to the Reserve Account from the proceeds of such additional Bonds or from any other money lawfully available therefor, in which event, in providing for deposits and credits as described above in this paragraph, allowance will be made for any such amounts so paid into this Account. subject to the foregoing, the amount of money and Value of Investment Securities in the Bond Fund to the credit of the Reserve Account shall at all times be maintained in the Reserve Account in an amount equal to the Reserve Account Requirement for all bonds then outstanding.

EWEB Board may calculate the Reserve Account Requirement upon the issuance of any Series of Bonds and may recalculate such requirement at any other time. If, as of 60 days after the end of each Fiscal Year or as of a date upon which there is a withdrawal from the Reserve Account (other than earnings on Investment Securities), the money and Value of Investment Securities in the Reserve Account shall be less than the Reserve Account Requirement, then the Board will, beginning with the 25th day of the second month next succeeding such date, after making the transfers hereinabove provided for from the Power Revenue Fund and the Operating Fund to the Bond Fund for the original Electric System Revenue Bonds and to the Bond Fund and for credit to the Interest Account, the Principal Account and the Bond Retirement Account therein, make monthly transfers from the Power Revenue Fund to the Bond Fund for credit to the Reserve Account until there shall be on deposit in the Reserve Account money and Value of Investment Securities equal to the Reserve Account Requirement. If any Series of Bonds is issued at any time during a period in which such monthly transfers are required to be made the board may deposit proceeds of such Series in the Bond Fund for credit to the Reserve Account sufficient to make up the deficiency in the Reserve Account, to the extent such proceeds are not required for capitalized interest or reserve requirements of such Series. In addition, the Board may, at its option, make transfers from time to time from the Renewal and Replacement Fund to the Bond Fund, for credit to the Reserve Account to make up any deficiency or portion thereof in that account, and any monthly transfer being made from the Power Revenue Fund to the bond Fund for credit to the Reserve Account will be adjusted accordingly, provided, however, that any such transfers from the Renewal and Replacement Fund shall be required to be made in accordance with the provisions of the Resolution.

If on any August 1 and February 1, the money and Value of Investment Securities in the Reserve Account exceeds the Reserve Account Requirement, such excess will be credited to the Power Revenue Fund as of such date or applied to the retirement of Bonds by redemption or purchase as an Authorized Officer of the Board shall direct.

When a Series of Bonds is refunded in whole or in part or is otherwise paid so that all of the Bonds of such Series are no longer outstanding within the meaning of the Resolution, money may be withdrawn from the Reserve Account to pay or provide for the payment of such Bonds or refunded Bonds, as the case may be, or may be transferred and applied to any reserve fund or account established for the refunding bonds issued to refund such refunded Bonds; provided that immediately after such withdrawal or transfer there will be on credit to the Reserve Account an amount equal to the Reserve Account Requirement.

Notwithstanding the foregoing, a Supplemental Resolution providing for the issuance of a Series of Bonds may provide for the funding of the Reserve Account in whole or in part by the deposit with the Bond Fund Trustee of a surety bond, an insurance policy or a letter of credit unconditionally payable on demand to or for the benefit of the

Bond Fund Trustee for the benefit of the holders of the Bonds, and the obligation of the Board under the Resolution to fund the Reserve Account shall be deemed satisfied as of any date to the extent of then available balance of any such surety bond, insurance policy or letter of credit. The surety bond, insurance policy or letter of credit will be payable (upon giving the notice as required thereunder) on any interest payment date on which money will be required to be withdrawn from the Reserve Account and applied to the payment of the principal of or interest on any Bonds and when such withdrawals cannot be made from amounts on deposit in the Reserve Account.

The insurer providing such surety bond or insurance policy will be an insurer whose municipal bond insurance policies insuring payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by both S&P Global Ratings and Moody's Investors Service, Inc., or their successors, to the extent such agencies then rate any outstanding Bonds. The letter of credit issuer will be a bank or trust company which is rated no lower than the second highest rating category, and the letter of credit itself will be rated in the highest rating category, by both S&P Global Ratings and Moody's Investors Service, Inc., or their successors, to the extent such agencies then rate any outstanding Bonds. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this paragraph, EWEB will be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit into the Reserve Account funds in the amount of the disbursement made under such surety bond, insurance policy or letter of credit, or such combination of such alternatives, as will provide that the amount on deposit in or credited to the Reserve Account equals the Reserve Account Requirement, unless and to the extent that at such time a lesser amount is required by reason of an election to provide the Reserve Account Requirement in installments.

E. **Bond Fund Money.** Money on deposit in the Bond Fund will be transmitted by the Bond Fund Trustee to the Paying Agent at such times as will be necessary prior to the date upon which any installment of interest or principal is due on the Series 2016 Bonds (either at the maturity date thereof or redemption date prior to maturity) to pay, and in amounts sufficient to meet such installments of, principal of, premium, if any, and interest on the Series 2016 Bonds, when due. In the event that there is a deficiency in the Interest Account, Principal Account or Bond Retirement Account three business days before any interest, principal or sinking fund payment is due on the Series 2016 Bonds, the Bond Fund Trustee will promptly make up such deficiency from the Reserve Account by the withdrawal of cash therefrom for that purpose or by the sale or redemption of Investment Securities held in the Reserve Account, if necessary, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency or by the transfer of Investment Securities (or undivided interest therein) in which money in the Interest Account, Principal Account or Bond Retirement Account, as the case may be, may be invested, or by taking such steps as may be necessary to realize the benefit of any surety bond, insurance policy or letter of credit deposited in the Reserve Account.

Investment of Funds. Money in the Interest Account, Principal Account, Bond Retirement Account and Reserve Account will, to the fullest extent practicable and reasonable, be invested by the Bond Fund Trustee, at the direction of EWEB, as provided in the Master Resolution. Money in the Power Revenue Fund, Operating Fund and Renewal and Replacement Fund not required for immediate disbursement for the respective purposes for which they were created will, to the fullest extent practicable and reasonable, be invested and reinvested by EWEB, to the extent allowed by law, solely in, and obligations deposited in said funds will be, Investment Securities which will mature or are subject to redemption at the option of the holder thereof, (i) in the case of the Power Revenue Fund and the Operating Fund not later than such times as shall be necessary to provide money when needed to provide payments from such Funds and (ii) in the case of the Renewal and Replacement fund within five years from the date of such investment or reinvestment.

To the extent permitted in the Resolution, all income received from the investment or reinvestment of money in the funds established or continued hereunder, will be deposited in the respective funds from which such investments are made to the extent of any deficiencies therein and otherwise to the Power Revenue Fund; provided, however, that, at the direction of EWEB, all or a portion of the income received from the investment or reinvestment of money in any such fund may be deposited in a construction fund.

Reserve Account Requirement

The Reserve Account generally is required to be funded in an amount equal to the Reserve Account Requirement, which is to be calculated upon the issuance of any series of Additional Bonds and which may be calculated at any

other time. Reserve Account Requirement means, as of the date of calculation, an amount equal to the average of the annual installments of Debt Service with respect to all outstanding Bonds for the then current and all future Fiscal Years. Pursuant to the Master Resolution, an insurance policy, surety bond or letter of credit may be deposited into the Reserve Account in lieu of cash. As of June 1, 2016, the Reserve Account consisted of \$7,381,003 in surety policies and \$9,330,682 in cash and investments. Upon issuance of the Series 2016 Bonds, the Reserve Account Requirement is estimated to be \$_____ and will be satisfied as shown in the following table.

Reserve Account upon Issuance of the Series 2016 Bonds⁽¹⁾

	Amount	Coverage
Surety Policies	\$ 7,381,003	Parity/Series
Cash and Investments	9,330,682	Parity
Total	\$16,711,685	

(1) As of June 1, 2016.

Surety Policies on Deposit with Trustee upon Issuance of the Series 2016 Bonds

Series	Stated Policy Amount	Provider	Policy Number	Expiration	Coverage
1994	\$1,837,500	MBIA (National)	15216	08/01/2022	Parity
1994C	1,200,000	MBIA (National)	15527	08/01/2022	Parity
2001A	2,170,402	FSA (Assured)	28097-R	08/01/2027 ⁽¹⁾	Series
2005	673,101	FSA (Assured)	204787-R	08/01/2025 ⁽¹⁾	Series
2006	1,500,000	FSA (Assured)	207217-R	08/01/2026 ⁽¹⁾	Series
Total	\$7,381,003				

(1) Expiration of the surety policy is the earlier of (i) the expiration date listed or (ii) the date the related series of Bonds are no longer outstanding.

If the rating of an insurer providing a surety bond shall cease to have a rating in the highest rating category by both S&P Global Ratings (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”), the Master Resolution provides that EWEB shall use reasonable efforts to replace such surety bond, but EWEB shall not be required to deposit Revenues in the Reserve Account in lieu of replacing such surety bond.

MBIA Insurance Corporation, now known as National Public Finance Guarantee Corp. (“National”) is currently rated “B” by S&P and A3” by Moody’s. Financial Security Assurance Inc., now known as Assured Guaranty Municipal Corp. (“Assured”) is currently rated “AA” by S&P and A2” by Moody’s. In 2008, both National and Assured were rated below the highest rating category and EWEB used reasonable efforts to replace those surety bonds that have been downgraded below the highest rating category by S&P or Moody’s. However, due to the downgrades of a number of the monoline insurance companies, EWEB has determined that no available market exists for surety bonds with ratings in the highest rating categories and is unable to replace such surety bonds.

Additional Indebtedness

EWEB may issue Additional Bonds on a parity with the Series 2016 Bonds and the outstanding Bonds, provided that:

(1) an Authorized Officer certifies that the average of the Net Revenues of the Distribution Division for any consecutive 24-month period out of the 36 months immediately preceding the issuance of the Additional Bonds shall equal not less than 120 percent of the average of the annual Debt Service on the Bonds then outstanding, including the Additional Bonds then proposed to be issued; or

(2) there is filed with EWEB and the Trustee a certificate of a Consulting Engineer certifying that the estimated Net Revenues of the Distribution Division, together with other money lawfully available, during each of the five Fiscal Years commencing with:

- (i) for a Project, the first Fiscal Year following the Date of Commercial Operation of the Project,
or
- (ii) for other than a Project, the Fiscal Year in which the Additional Bonds being issued are delivered,

shall equal not less than 135 percent of Debt Service for each Fiscal Year on all Bonds then outstanding, including the Additional Bonds then proposed to be issued, and any Bonds not yet issued but, in the opinion of the Consulting Engineer, will be required to be issued to complete the construction of a project for which Bonds have been issued or are then being issued. In estimating Net Revenues, the Consulting Engineer may make certain adjustments as set forth in the Master Resolution.

Paragraphs 1 and 2 set forth above do not apply to any series of Additional Bonds issued to pay (1) a portion of the Cost of Acquisition and Construction of a Project with respect to which the certificates referred to in such paragraphs 1 and 2 were filed in connection with the issuance of the initial series of Bonds issued to pay the Cost of Acquisition and Construction of such Project; or (2) the costs of preliminary and development work, including engineering, legal and financial studies, in connection with the planning, development and determination of the feasibility of electric generation or transmission facilities if immediately after the issuance of such series of Additional Bonds the aggregate principal amount of Bonds outstanding which have been issued to pay such costs shall not exceed \$4,000,000; or (3) the Cost of Acquisition and Construction of any renewals, replacements, repairs, modifications, additions, betterments, improvements and extensions of a Project or any decommissioning or termination of a Project which (a) in the opinion of the Consulting Engineer (as evidenced by a certificate filed with EWEB and the Trustee) is necessary to achieve design capability or required by any governmental agency or authority, or (b) in the opinion of the Consulting Engineer (as evidenced by a certificate filed with EWEB and the Trustee) is necessary or desirable to improve operating reliability or to reduce unit power costs or to prevent a loss of Revenues; or (4) the cost of preventing or correcting any unusual loss or damage (including major repairs) to any Project or any part hereof in excess of insurance proceeds available therefor or for which money is not available in the Renewal and Replacement Fund or the Distribution System General Fund, or (5) extraordinary costs of Fuel for which money is not available in the Operating Fund, the Renewal and Replacement Fund or the Distribution System General Fund.

In addition, EWEB may issue Additional Bonds for the purpose of refunding (including by purchase) at any time all or any portion of Bonds, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption or purchase and to pay the expense of issuing the refunding bonds and of effecting such refunding without satisfying the conditions set forth in Paragraphs 1 and 2 above.

Issuance of Refunding Bonds. Without complying with the conditions set forth above, EWEB may issue refunding Bonds at any time for the purpose of refunding (including by any purchase) at any time all or any portion of Bonds outstanding, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expense of issuing the refunding Bonds and of effecting such refunding.

Subordinate Lien Obligations; Separate Utility Systems. Nothing in the Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Board from authorizing and issuing bonds, notes, certificates, warrants or other evidences of indebtedness for any corporate use or purpose relating to the Electric System payable as to principal and interest from the Revenues subject and subordinate to the deposits and credits required to be made to the Operating Fund, the Bond Fund for the Original Electric System Revenue Bonds, and the Bond Fund, or from securing such bonds, notes, certificates, warrants or other evidences of indebtedness and the payment thereof by a lien and pledge on the Revenues junior and inferior to the lien and pledge on the Revenues herein created for the payment and security of the Series 2016 Bonds.

Nothing contained in the Resolution shall prohibit or prevent, or be deemed, or construed, to prohibit or prevent EWEB from authorizing and issuing bonds, notes, certificates, warrants or other evidences of indebtedness other than Bonds to acquire and construct Electric Power Facilities or interests therein or the electric power and energy or the capacity or output thereof, which the Board has elected to acquire, construct and operate as separate utility systems, and which bonds, notes, certificates, warrants or other evidences of indebtedness are payable solely from the revenues or other income derived from the ownership or operation of such separate utility systems; provided that

the Consulting Engineer shall certify that in his opinion the acquisition or construction or operation of such separate utility systems will not result in a reduction of the Net Revenues below the amounts covenanted by the Resolution to be produced.

Intersystem Obligations

The Electric System has two obligations receivable from the Water System: (i) an obligation outstanding in the amount of \$2,418,226 as of December 31, 2015, and maturing in 2027 in connection with a payment to PERS for unfunded actuarial liability allocated to the Water System which was financed by the Electric System with proceeds of Electric System Revenue Bonds (the “PERS Obligation”), and (ii) an obligation outstanding in the amount of \$15,518,082 as of December 31, 2015, and maturing in 2040 in connection with use of the operations center in west Eugene which was financed by the Electric System with Bonds (the “Capital Lease Obligation” together with the PERS Obligation, the “Intersystem Obligations”).

The Intersystem Obligations were created to account for the Water System’s share of operating obligations as a result of bonds issued by the Electric System. The Intersystem Obligations are unsecured obligations of the Water System payable solely to the Electric System and to no other party. As such, EWEB treats them as payable from the Water System net revenues available only after payment of the Water System’s revenue-secured obligations, including the Water Utility System Revenue Bonds and any Subordinate Obligations. In calculating the coverage ratios set forth in this Official Statement, the Electric System includes interest received as non-operating revenue, and a reduction of the intercompany obligation receivable.

Payments for the PERS Obligation are fixed at \$581,923 annually, consisting of \$374,646 for interest and \$207,277 for principal through 2027. Payments for the Capital Lease Obligation through 2040 are approximately equal annual payments, with the principal portion increasing and the interest portion declining; payments for 2016 are estimated to consist of approximately \$725,000 for interest and \$463,000 for principal. Total payments for the Intersystem Obligations in 2015 were \$1,769,329, consisting of \$1,141,307 of interest and \$628,021 of principal. See Appendix B—AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014,” including Note 12 therein.

Events of Defaults and Remedies

Certain events shall constitute an Event of Default. See “Events of Defaults; Remedies” in Appendix A for more information on defaults and remedies.

No Acceleration

Upon the occurrence and continuance of an Event of Default under the Resolution, payment of the principal of and accrued interest on the Bonds and the Series 2016 Bonds is not subject to acceleration. EWEB thus is liable for principal and interest payments only as they become due. The inability to accelerate the Bonds and the Series 2016 Bonds upon an Event of Default could give rise to varying interests between holders of earlier and later maturing Bonds and the Series 2016 Bonds. The nature and extent of any such variance would depend in part upon the nature and duration of any default. In the event of multiple defaults in payment of principal or interest on the Bonds and the Series 2016 Bonds, the bondholders would be required to bring a separate action for each such payment not made. EWEB has never defaulted on the payment of principal or interest on any of its bonds.

Amendments and Supplements to Resolution

EWEB may amend or supplement the Resolution as provided in the Resolution. See “Amendments; Supplemental Resolutions” in Appendix A for more information.

Contingent Obligations

EWEB has entered into, and may in the future enter into, contracts and agreements in the course of its business that include an obligation on the part of EWEB to make payments or post collateral contingent upon the occurrence or

nonoccurrence of certain future events, including ratings below investment grade, events of default or other events that are beyond the direct control of EWEB. These agreements may include interest rate swaps and other similar agreements, agreements with respect to the delivery of electric energy or other energy, power service agreements, letter of credit agreements, and other financial and energy hedging transactions. Such contingent payments or posting of collateral may be conditioned upon the future credit ratings of EWEB and/or other parties, maintenance by EWEB of specified financial ratios, future changes in energy prices, and other factors. EWEB has entered into agreements with Bonneville Power Administration and certain hedging contracts that include such contingent payment obligations. The agreements include obligations on the part of EWEB to post collateral or a letter of credit contingent upon the occurrence or nonoccurrence of certain future events, such as future credit ratings below investment grade or defaults under power marketing contracts or indebtedness. EWEB does not currently have any derivative products in connection with bonds. See “ELECTRIC SYSTEM—Risk Management; Derivatives.”

DEBT SERVICE REQUIREMENTS

Debt service on the outstanding Bonds and the Series 2016 Bonds is set forth below. For additional information regarding EWEB’s long-term debt obligations, see Appendix B—“AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014”—Note 11.

Debt Service Requirements

Period Ending August 1	Outstanding Bonds ⁽¹⁾	Series 2016A Bonds		Series 2016B Bonds		Total Debt Service ⁽²⁾
		Principal	Interest	Principal	Interest	
2017	\$ 22,537,574					
2018	20,333,011					
2019	20,708,318					
2020	21,118,996					
2021	20,546,857					
2022	20,973,869					
2023	18,389,480					
2024	16,709,438					
2025	16,819,013					
2026	16,464,525					
2027	15,600,563					
2028	11,031,413					
2029	10,925,325					
2030	10,928,981					
2031	10,918,531					
2032	10,274,775					
2033	8,240,813					
2034	4,544,813					
2035	4,547,313					
2036	4,546,813					
2037	4,543,063					
2038	4,540,813					
2039	4,544,563					
2040	4,548,625					
2041	2,319,625					
2042	2,318,813					
Total ⁽²⁾	\$ 308,975,918					

(1) Includes the Refunding Candidates.

(2) Totals may not add due to rounding.

Additional Borrowing

EWEB currently expects to issue long-term indebtedness of the Electric System in the amount of \$67 million in 2019, \$19 million in 2022 and \$13 million in 2025 for Carmen-Smith Hydroelectric Project relicensing work. See

“ELECTRIC SYSTEM—Capital Plan.” EWEB used a portion of the proceeds from the June 2016 Smith Creek Project sale along with additional cash to defease approximately \$24 million of 2012 Bonds on August 1, 2016. In addition, when and if market conditions allow for the refunding of additional bonds of EWEB, such refundings will be considered.

THE EUGENE WATER & ELECTRIC BOARD

General

The City of Eugene, Oregon is a charter city operating under a charter most recently revised in 2008. Oregon law and the charter authorize the City to provide electric and water systems for serving the public within and without the City. The City is located approximately 110 miles south of the City of Portland and had an estimated 2015 population of 163,400.

The City commenced utility operations in 1908 with the purchase of a privately owned water system. In 1911, upon completion of the City’s first municipal hydroelectric power plant, the City organized the Eugene Water Board to operate the City’s electric and water utilities. The name of the Eugene Water Board was changed to the Eugene Water & Electric Board in 1949.

In 2015, the Electric System served approximately 90,000 customers, and the Water System served approximately 52,000 customers. The Electric System and the Water System are operated and accounted for as separate and independent entities. Under the direction of the General Manager and executive staff, EWEB employs 517 personnel for the operation of the Electric System and Water System.

EWEB is chartered by the City and is responsible for operating the City’s electric and water utilities. EWEB is the primary supplier of water and electric power services to the City and certain neighboring communities. Its stated mission is “to be the outstanding provider of energy and water products that meet customers’ needs and benefit the citizens of Eugene.” While the Electric System and Water System are operated and accounted for separately, EWEB and its management approach the delivery of services in a unified fashion. EWEB recognizes that the decisions and actions affecting one system can have important effects on the other. Thus, wherever possible, decisions and actions for one system are implemented in a manner that seeks to minimize risks and optimize benefits to the other system.

Board of Commissioners

The responsibilities delegated to EWEB pursuant to the City Charter are conducted under the direction of an elected board of five commissioners, one of which is elected at large and the remaining four are elected from districts. The members of the Board of Commissioners are elected for four year terms. The expiration dates of their respective terms of office are as follows:

Board of Commissioners

<u>Member</u>	<u>Office</u>	<u>Expiration Date</u>
John Simpson	President	December 31, 2018
Dick Helgeson	Vice President	December 31, 2020
John Brown	Commissioner	December 31, 2018
James Manning	Commissioner	December 31, 2016
Steve Mital	Commissioner	December 31, 2020

Administration and Management

EWEB's General Manager/Secretary reports to the Board of Commissioners and has direct reports, which include 12 managers of the corporate and executive staff (the "Leadership Team"). Information regarding the General Manager/Secretary, certain Leadership Team managers and other key members follows:

Administration

Member	Title	Years of Utility Experience
Frank Lawson	General Manager/Secretary	14
Dave Churchman	Power Operations Manager	26
Mike McCann	Generation and Fleet Services Manager	14
Susan Fahey	Financial Services Manager/Treasurer	5
Susan Eicher	Accounting and Treasury Supervisor/Assistant Treasurer	12

In February 2016, the Board of Commissioners appointed Dave Churchman, EWEB's Power Operations Manager, to serve as Interim General Manager after former General Manager Roger Gray resigned in early 2016 after being selected to lead the Northwest Requirements Utilities. For the Interim General Manager position, the Board of Commissioners solicited interest from internal candidates not interested in the permanent position. The Board of Commissioners engaged an executive search firm specializing in the utility industry to perform a nation-wide search for a permanent General Manager and in May 2016, after receiving over 50 applications, the Board of Commissioners selected Frank Lawson to serve as General Manager.

Frank Lawson, General Manager/Secretary. Mr. Lawson became the General Manager of EWEB on June 26, 2016. He joined EWEB in 2010 as the Systems Engineering Supervisor and served as interim strategic planning manager in 2014. Prior to joining EWEB, he was electrical engineering manager at Jeld-Wen, a wood-products manufacturing company; served as vice president of marketing and engineering at a division of Danaher Corp., a worldwide manufacturing and technology company; and held several positions at Eurotherm, which makes industrial control equipment for electric and water utilities as well as other industries. Mr. Lawson received a Bachelor's Degree in electrical and computer engineering from Oregon State University and a Master's of Business Administration from Northwest Christian University.

Dave Churchman, Power Operations Manager. Mr. Churchman joined EWEB in 2009 as the Power Operations Manager and in 2016 served as Interim General Manager while the Board of Commissioners searched for a permanent General Manager. In his role as Power Operations Manager, he is responsible for the operation of EWEB's generation, transmission and power portfolio. Mr. Churchman received a Bachelor's Degree in Business, Production & Operations Management from the University of Idaho, and received a Master's of Business Administration from Boise State University. Prior to joining EWEB, Mr. Churchman was employed by Idaho Power and was responsible for oversight of its power and gas operations. He also worked for IdaCorp Energy as the Director of Southwest Trading.

Mike McCann, Generation and Fleet Services Manager. Mr. McCann was appointed EWEB's Generation and Fleet Services Manager in September 2014 after serving as the License Implementation Manager for EWEB's Carmen-Smith Hydroelectric Project for five years. As the Generation and Fleet Services Manager, Mr. McCann is responsible for the operation and maintenance of EWEB's owned electric generation resources and for the management of EWEB's vehicle and equipment fleet. Mr. McCann holds a Bachelor's Degree in Chemical Engineering from the University of Notre Dame and a Master's Degree in Environmental Engineering from Clarkson University, and is licensed in Oregon as a Registered Professional Engineer in Chemical Engineering. Prior to joining EWEB in 2002, Mr. McCann was employed as a private consulting engineer and a Senior Engineer for the State.

Susan Fahey, Financial Services Manager/Treasurer. Ms. Fahey was appointed Treasurer in 2015 after serving as Fiscal Services Supervisor responsible for long-term financial planning, budgets, rates and power risk management. Ms. Fahey received a Bachelor's of Business Administration Degree with an emphasis in Accounting and Finance

from Pacific Lutheran University. After 20 years in financial management positions at Eugene Public Schools, Ms. Fahey transitioned from her role as Chief Financial Officer to join EWEB in 2011. She also worked as an internal audit manager in the media/communications industry and as a senior accountant for Peat Marwick. She is a Certified Public Accountant.

Susan Eicher, Accounting and Treasury Supervisor/Assistant Treasurer. Ms. Eicher was appointed Assistant Treasurer in 2011. Ms. Eicher received a Bachelor of Science Degree in Accounting from the University of Oregon and has been employed by EWEB since 2003. After serving as Senior Accountant and Senior Financial Analyst, Ms. Eicher was appointed to the position of General Accounting and Treasury Supervisor in 2011. Prior to joining EWEB, Ms. Eicher was employed as an audit manager for Moss Adams LLP. She is a Certified Public Accountant.

Personnel

EWEB employs a staff of 517 full-time equivalents, approximately 185 of which work directly in electric operations. Of the total EWEB employees, approximately 145 are represented by the International Brotherhood of Electric Workers (“IBEW”) Local 659. The collective bargaining agreement with IBEW expires March 31, 2021. EWEB and IBEW have established a Labor Management Committee that meets monthly to prevent and handle issues.

Pension System

EWEB participates in a retirement pension benefit program under the State of Oregon Public Employees Retirement System (“PERS” or the “System”). The State and a majority of local governments in Oregon participate in PERS. EWEB also participates in the Federal Social Security program.

T1/T2 Pension Programs. Employees hired before August 29, 2003 participate in the “Tier 1” and “Tier 2” Pension Programs (the “T1/T2 Pension Programs”). The benefits provided through the T1/T2 Pension Programs are set by the Oregon Legislature and are based primarily on a defined benefit model and provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Effective January 1, 2004, T1/T2 Pension Program employee (participant) contributions fund individual retirement accounts under the separate defined contribution program known as the Individual Account Program (the “IAP”). Tier 1 and Tier 2 employees retain their existing T1/T2 Pension Program account, but the IAP account receives any future member contributions. Participant contributions may be paid by the employee or the employer, depending on the individual contract negotiated between the two. See “Employer Contribution Rates.” See Note 14 of the audited financial statements included as Appendix B for a description of benefits.

OPSRP. Employees hired on or after August 29, 2003, participate in the Oregon Public Service Retirement Plan (“OPSRP”) unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a hybrid defined contribution/defined benefit pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund individual retirement accounts under the separate defined contribution program.

Actuarial Valuation. Oregon statutes require an actuarial valuation of the System at least once every two years. Based on the biennial actuarial valuation as of December 31 of odd-numbered years the Oregon Public Employees Retirement System Board (the “PERB”) establishes the contribution rates that employers will pay to fund the T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account program (“RHIA”) described herein. Actuarial valuations are performed annually as of December 31 of each year, with the valuations as of December 31 of even-numbered years (such as 2016) used for advisory purposes only and valuations as of December 31 of odd-number years (such as 2015) used to set payroll contribution rates. Actuarial valuations are performed for the entire System (the “System Valuation”), and for each participating employer, including EWEB (the “EWEB Valuation”). Valuations are released nine to 11 months after the valuation date. PERS’ current actuary is Milliman, Inc. (“Milliman”), which replaced the prior actuary, Mercer (US), Inc. in January 2012.

On November 12, 2015, Milliman released the December 31, 2014 Valuation (the “2014 System Valuation”) which indicated that the System-wide funded status decreased from approximately 86 percent at December 31, 2013, to 76 percent (after taking into account certain legislative changes and a subsequent Oregon Supreme Court ruling reversing most of those revisions, see “2013 Legislative Changes and Oregon Supreme Court Order”), without taking into account offsets for deposits made by individual employers from bond proceeds or cash on hand in side accounts (see “Pension Bonds and Side Accounts”). The funded status is reported by comparing liabilities estimated using the entry-age normal cost method, which represents each plan member’s benefits as a constant share of payroll through the member’s career. The liability estimates also incorporate the discount rate (7.75 percent for 2013 valuation and 7.50 percent for 2014 valuation).

The funded status of PERS and of EWEBs proportionate share will change over time depending on a variety of factors, including the market performance of the securities in which the Oregon Public Employees Retirement Fund (“OPERF”) is invested, future changes in compensation and benefits of covered employees, demographic characteristics of members, methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS, and other actions taken by the PERB and the Legislature.

Investments. The PERS Fund is managed by the Oregon State Treasury under the direction of the Oregon Investment Council. As of April 2016, approximately 39 percent of the funds were in public equity, 20 percent in private equity, 22 percent in fixed income and 12 percent in real estate. The 10-year annualized rate of return was 5.78 percent as of April 2016.

GASB 67 and GASB 68. In June 2012, the GASB approved Statements No. 67 and No. 68 that modify the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67 (“GASB 67”), Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68 (“GASB 68”), Accounting and Financial Reporting for Pensions, establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The System is subject to GASB 67; each participating employer, including EWEB, is subject to GASB 68. The guidance contained in these statements changes how governments calculate and report the costs and obligations associated with pensions. GASB 67 is effective for Fiscal Year 2014 and GASB 68 is effective for Fiscal Year 2015. PERS has contracted with Milliman to provide information for local governments to use in their financial statements.

Under GASB 68, EWEB recognizes on the Statement of Net Position in its audited financial statements its share of the Net Pension Liability, or Asset, of the PERS system. GASB 68 results in pension expense that has “non-cash” components representing the change from year to year in the Net Pension Liability. EWEB has elected to treat the non-cash portion of the pension expense as a regulatory deferral as allowed under regulatory accounting, since EWEB does not intend to recover this expense in current rates. Deferred pension expense will be recognized over time as actual expenses are recovered in rates. For the year ended December 31, 2015, EWEB reported a net pension liability of \$45.5 million and EWEB’s total proportionate share of System pension expense as calculated by PERS was \$44.8 million (of which approximately \$37.3 million was attributed to the Electric System). See APPENDIX B – FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014.

Pension Bonds and Side Accounts. Contribution rates for individual employers are adjusted if the employer maintains a “side account.” In November 2006, EWEB paid \$7.2 million to PERS for deposit into EWEB’s side account. In 2001, approximately \$29.6 million of the Series 2001A Current Interest Bonds and Series 2001A Capital Appreciation Bonds proceeds was paid to PERS.

Pension Liability

EWEB's Schedule or Proportionate Share of the Net Pension Liability as of June 30, 2015

	<u>2014</u>	<u>2015</u>
EWEB's proportion of the net pension asset/(liability)	0.86139%	0.79250%
EWEB's proportionate share of the net pension asset/(liability)	\$19,525,251	(\$45,501,290)
EWEB's covered – employee payroll	\$41,130,143	\$45,250,685
Proportionate share of the net pension asset/(liability) as percentage of covered-employee payroll	47%	101%
Plan's fiduciary net position	\$65,401,492,664	\$64,923,626,094
Plan fiduciary net position as a percentage of the total pension liability	103.60%	91.90%

Source: EWEB 2015 annual report taken from the State of Oregon PERS 2015 annual report.

The increased liability between 2014 and 2015 was primarily due to the Oregon Supreme Court decision described under “2013 Legislative Changes and Oregon Supreme Court Order.”

Actuarial Assumptions - 2014 and 2015 Valuations. On July 31, 2015, the PERB adopted revisions to its actuarial assumptions and methods based upon recommendations from Milliman. These changes include: (a) lowering the assumed earnings rate from 7.75 percent to 7.50 percent; (b) reducing the payroll growth rate from 3.75 percent to 3.50 percent; (c) updating the mortality assumptions to increase projections of life expectancy and (d) reducing the inflation rate from 2.75 percent to 2.50 percent. The revised assumptions were incorporated or are being incorporated into the December 31, 2014 (advisory only) and December 31, 2015 (rate-setting for 2017-19 biennium) actuarial valuations.

Employer Contribution Rates. Employer contribution rates are calculated as a percent of covered payroll. The rates are based on the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including anticipated investment performance of the fund. Contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations, litigation, decisions by the PERB and changes in benefits resulting from legislative modifications. Pursuant to ORS 238.225, all participating employers are required to make their contribution to PERS based on the employer contribution rates set by the PERB. Employees are required to contribute six percent of their annual salary to the IAP. Employers are allowed to pay the employees' contribution in addition to the required employers' contribution.

Rate Collar. In January 2010, the PERB adopted a rate collar to limit increases in employer contribution rates from biennium to biennium (the “Rate Collar”) to smooth the impact of significant increases or decreases from one valuation to the next. The Rate Collar limits increases in employer contribution rates before rate reductions from side accounts are deducted, and does not cover charges associated with RHIA and Retiree Health Insurance Premium Account (“RHIPA”). Under normal conditions, the Rate Collar is the greater of three percent of payroll (the “3% parameter”) or 20 percent of the current base rate (the “20% parameter”). If the funded status of an employer or the pool in which the employer participates is below 70 percent (or above 130 percent), the Rate Collar increases by 0.3 percent of payroll if under the 3% parameter, or two percent of payroll if under the 20 percent parameter, for every percentage point under the 70 percent (or above 130 percent) funded level (the “Collar Ramp”) until it reaches six percent of payroll, or 40 percent of the current base rate at the 60 percent (or above 140 percent) funded level (the “Double Rate Collar”). If the projected rate necessary to fully fund the system (the “Uncollared Rate”) causes an increase or decrease in rates that exceeds the Rate Collar, the excess increase or decrease is deferred to future rate cycles.

Contribution Rates. The past 2013-15 and current 2015-17 biennial employer contribution rates for the Pension Programs incorporate the impacts of changes to the Pension Programs approved by the 2013 Legislature, many of which were later reversed by the Oregon Supreme Court (see “2013 Legislative Changes and Oregon Supreme Court Order”). The Supreme Court's actions do not affect these rates, but will affect rates in the 2017-19 biennium. EWEB's employer contribution rates for the 2015-17 biennium and the advisory rates for the 2017-19 biennium are provided in the following table. EWEB currently pays the net employer contribution rate. Over half of EWEB

employees participate in the OPSRP plan. The December 31, 2015 valuation will determine the employer contribution rates that will be presented for PERS Board adoption to be effective July 1, 2017.

	Employer Contribution Rates					
	2015-17 Employer Rates			Advisory 2017-19 Employer Rates ⁽¹⁾		
	T1/T2	OPSRP		T1/T2	OPSRP	
General Service		Police & Fire	General Service		Police & Fire	
Pension						
Normal cost rate ⁽²⁾	12.30%	7.33%	11.44%	14.20%	8.10%	12.90%
Tier 1/Tier 2 UAL rate ⁽³⁾⁽⁴⁾	9.80	9.80	9.80	12.32	12.32	12.32
OPSRP UAL rate ⁽⁴⁾	0.61	0.61	0.61	1.01	1.01	1.01
Side account rate relief ⁽⁵⁾	(1.25)	(1.25)	(1.25)	(1.20)	(1.20)	(1.20)
Net pension contribution rate	21.46	16.49	20.60	26.33	20.23	25.03
Retiree Healthcare						
Normal cost rate	0.08	0.00	0.00	0.07	0.00	0.00
UAL rate	0.45	0.45	0.45	0.43	0.43	0.43
Net retiree healthcare rate	0.53	0.45	0.45	0.50	0.43	0.43
Total net employer contribution rate	21.99	16.94	21.05	26.83	20.66	25.46

- (1) Advisory rates calculated as of December 31, 2014. Actual rates will be set by PERS Board based on December 31, 2015 valuation.
 - (2) Normal cost is the cost of benefits that have not yet been earned and will be spread over the future working lives of current members
 - (3) Includes Multnomah Fire District #10 rate.
 - (4) UAL is an employer's unfunded actuarial liability, which is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing assets available to pay those benefits.
 - (5) Rate reduction as a result of the November 2006 lump sum payment to PERS.
- Source: *State of Oregon PERS 2015 annual report.*

In anticipation of higher rates due to legislative changes and lower than assumed earnings, EWEB's long term financial plan includes melded PERS employer contribution rate assumptions of 27 percent increasing to 34 percent and 39 percent in 2019 and 2021, respectively.

Contributions. EWEB's employer contributions to T1/T2 and OPSRP were \$8.9 million in 2015 and \$9.7 million in 2014. In addition, EWEB contributed \$2.6 million in 2015 and \$2.6 million in 2014 to T1/T2 and OPSRP on behalf of its employees.

2013 Legislative Changes and Oregon Supreme Court Order. During the 2013 Legislative Session, and a subsequently called special session, the Legislative Assembly made changes to PERS by enacting two bills that limited annual cost of living adjustments ("COLAs"), eliminated a benefit increase for out-of-state retirees based on Oregon income tax, excluded salary increases given to pay for insurance costs from the final average salary used to calculate pension benefits, and reduced legislators' participation in PERS. The changes were estimated to reduce the total accrued actuarial liability of the system by approximately \$4.7 billion and reduced employer contribution rates by an average of 4.28 percent of payroll for the 2013-15 biennium.

Several cases were filed with the Oregon Supreme Court on behalf of PERS retirees and active employees alleging that the enacted legislation constituted a breach of contract as well as an impairment of contract and a taking of property rights in violation of the Oregon and United States constitutions. On April 30, 2015, the Oregon Supreme Court (the "Court") reversed, in part, the changes made to the PERS system through the legislation. The Court's decision invalidated the reductions in COLAs insofar as they applied to benefits that members earned before the effective dates of the legislative changes. The decision held that adjustments to COLAs were permissible insofar as they applied to benefits that members earn on or after the effective dates of the legislative changes. The Court also upheld the elimination of a benefit increase for out-of-state retirees.

The Electric System recognized a net pension liability of \$37 million in 2015, compared to a \$16 million net pension asset for 2014. The change from a net pension asset to net pension liability was primarily due to the Court's decision. See "GASB 67 and GASB 68."

Additional Information. The PERS website (www.oregon.gov/pers) includes various information on the System, including the valuation reports, the 2015 annual financial report, and investment reports.

Other Post-Employment Benefits

In addition to pension benefits, EWEB provides post-employment health care and life insurance benefits to all employees who retire with pension benefits under PERS or OPSRP with at least 11 years of service. It is a single-employer defined benefit plan. The latest actuarial valuation, dated December 31, 2014, included 461 retirees or surviving spouses of retired employees and 517 active employees. The life insurance benefit is a fixed amount of \$5,000 per retiree. Health care coverage generally reimburses 80 percent of the amount of validated claims for certain medical, dental, and vision costs.

In 2007, through a new single-purpose trust, EWEB made arrangements to fund the accruing costs of these post-employment benefits other than pensions ("OPEB"). In November 2007, EWEB transferred \$8.2 million into the OPEB trust to begin prefunding the benefits. On May 31, 2013, the Board deposited \$7 million from a reserve for pension and medical costs to pay down the unfunded actuarial accrued liability of the plan ("UAAL"), which represents past benefit costs (already earned or allocated under the actuarial cost method) that are not covered by plan assets. The deposit represented 36 percent of the trust's assets on that date. It is the Board's intent to pay the actuarially determined OPEB cost annually to the trust. Valuations are updated every two years. The OPEB trust issues a publicly available set of audited financial statements, which may be obtained by writing to EWEB.

EWEB's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding years are listed in the following table. ARC is the employers' annual required contributions.

Other Post-Employment Benefits

Fiscal Year Ended	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation (Asset)
12/31/2013	\$1,535,043	550%	\$(6,997,531)
12/31/2014	1,535,043	100	(7,004,361)
12/31/2015	1,166,812	100	(6,680,934)

Source: EWEB 2015 annual report.

As of December 31, 2014, the plan was 72 percent funded. The actuarial accrued liability for benefits was \$26 million. The actuarial value of assets was \$19 million, resulting in an unfunded actuarial accrued liability of \$7 million.

The following table presents a schedule of funding progress for EWEB's OPEB Plan:

OPEB Valuation

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2012	\$11,259,871	\$34,105,920	\$22,846,049	33%	\$41,865,384	55%
06/01/2013	19,257,425	31,281,002	12,023,577	62	42,796,406	28
12/31/2014	19,172,194	26,579,575	7,407,381	72	45,250,685	16

Source: EWEB 2015 annual report.

As of April 1, 2016, the collective bargaining agreement with IBEW was amended to remove the subsidy for post-employment health care for employees hired after January 1, 2003. EWEB management is currently reviewing similar changes for non-represented employees. Management believes these changes will create significant cost savings related to the OPEB Plan and future health care costs.

Supplemental Retirement Plan

The Supplemental Retirement Plan ("SRP") is a single-employer plan providing retirement, death and disability benefits to participants and their beneficiaries that has been closed to new entrants since 1988 and has less than 40 participants with an average age of 92. For the year ended December 31, 2015, EWEB management determined that the net pension liability of the SRP is immaterial and will continue to decrease.

Deferred Compensation Plans

EWEB offers its employees deferred compensation plans created under Internal Revenue Code Section 457, which permit employees to defer a portion of their compensation until future years. EWEB has no liability for losses under the plan, but does have a duty to perform its limited administrative duties in a prudent manner. The plan is administered by a third party that performs the investing function.

Insurance

EWEB is exposed to various risks of loss relating to general liability and workers' compensation claims. EWEB self-insures for motor vehicle risk and general liabilities of less than \$2 million. EWEB has \$25 million excess liability coverage once the self-insured limit is exhausted, and the co-owned facilities have their own insurance programs. EWEB maintains a combined self-insurance fund for the Electric System and Water System with a balance of \$2 million as of December 31, 2015. Amounts recorded in the general purpose financial statements, which are estimated to be payable, are based on the estimated ultimate loss and reserves for claims incurred as of the balance sheet date, adjusted from current trends through a case-by-case review of all claims, as well as incurred but not reported claims. As of December 31, 2015, EWEB had approximately \$10,000 of total claims liability. Prior and current-year claims are fully reserved and are not discounted. In addition to the excess liability coverage, EWEB carries property damage coverage, including earthquake insurance, for generating facilities in line with the statement of values and subject to deductibles. EWEB does not have any reinsurance arrangements. EWEB has \$3 million of cyber insurance coverage.

Tort Claims Against Oregon Governments

EWEB's risk of exposure against tort claims is mitigated by statutory municipal tort limit laws of the State (the "Oregon Tort Claims Act" or "OTCA"). The OTCA (ORS 30.260 to 30.300) limits certain claims against EWEB for personal injury, death and property damage or destruction as described below. Claims under federal jurisdiction are not subject to such limitations and the State is subject to different limits.

Personal Injury and Death Claims. Under ORS 30.272, the liability of a local public body and its officers, employees and agents acting within the person's employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed \$666,700 for causes of action arising on or after July 1, 2014, and before July 1, 2015. The liability limits all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence is \$1,333,300 for the same period. For causes of action arising on or after July 1, 2015, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by the State Court Administrator of the personal increase or decrease in the cost of living for the previous calendar year as provided in the formula in ORS 30.272. The adjustment may not exceed three percent for any year.

Property Damage or Destruction Claim. Under ORS 30.273, the liability of a public body and its officers, employees and agents acting within the scope of the person's employment or duties, for covered claims for damage to and destruction of property, including consequential damages, that arise from a single accident or occurrence causes of action arising on or after July 1, 2014, and before July 1, 2015, are as follows: (a) \$109,400 for any single claimant and (b) \$546,800 to all claimants. For causes of action arising on or after July 1, 2015, these liability limits are adjusted based on a determination by the State Court Administrator of the personal increase or decrease in the cost of living for the previous calendar year as provided in the formula in ORS 30.273. The adjustment may not exceed three percent for any year.

Water System

EWEB operates a Water System that provides water service to all areas within the City as well as supplies wholesale water to the River Road and Santa Clara water districts outside the City. In addition, EWEB has surplus water contracts with the City of Veneta and Willamette Water Company. EWEB delivered water to approximately 52,000 retail customers in 2015 and sold water wholesale to two water districts, one city and one private water company. Water is supplied from the McKenzie River and is treated at the Hayden Bridge Filtration Plant, one of the largest treatment plants in Oregon. The Water System generated \$37,520,987 in operating revenue in 2015, about 14 percent of EWEB's total operating revenue. As of June 1, 2016, the Water System had bonds outstanding in the principal amount of \$55,665,000.

Taxes and Intergovernmental Payments

Since 1943, EWEB has contributed a portion of electricity sales to the City of Eugene and City of Springfield in the form of contributions in lieu of taxes. The current rates are 6.0 percent of retail sales plus a fixed component of \$825,000 for the City and 3.0 percent of retail sales to an industrial customer within the City of Springfield. In 2015, approximately \$13 million was paid to the City of Eugene and \$590,000 to the City of Springfield. The payments to these two cities are considered to be collected on behalf of, and payable to, the cities, and are not considered operating revenue or expenses.

As a governmental entity, EWEB is exempt from federal and state income tax and certain excise taxes. EWEB pays certain other taxes, including property taxes on property outside of the State of Oregon, and for properties rented to non-governmental entities, Oregon Department of Energy assessments and Social Security taxes. No sales or use taxes are levied under current Oregon statutes.

EWEB also maintains a program of voluntary grants to schools to fund programs that further education in fields related to energy and water. The grants are for a three-year period and are included as operating expenses. Grant payments attributable to the Electric System were approximately \$420,000 in 2014 and \$394,000 in 2015.

Accounting

EWEB operates as a primary government, and is not considered a component unit of the City. EWEB's accounting policies conform to generally accepted accounting principles for public utilities and governmental units. EWEB applies all applicable Governmental Accounting Standards Board ("GASB") pronouncements. Accounts are maintained in accordance with the Uniform System of Accounts for Public Utilities and Licenses as published by the Federal Energy Regulatory Commission ("FERC").

EWEB obtains an audit and examination of its accounts and financial status at least once each year pursuant to the Oregon Municipal Audit Law, ORS 297.405 to 297.555.

The financial statements for the periods ending December 31, 2015 and 2014, included in this Official Statement, have been audited by Moss Adams LLP, independent accountants as stated in their report appearing herein as Appendix B.

In connection with the presentation of its report on the audited financial statements of EWEB, Moss Adams LLP has provided the following language for inclusion in this Official Statement: “Moss Adams LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Moss Adams LLP also has not performed any procedures relating to this Official Statement.”

Cash and Investments

Oregon Statute 294.035 limits the types of investments allowable for public agencies. EWEB’s investment policy calls for the investment of excess funds in a manner that will preserve capital and provide sufficient liquidity to meet cash flow demands while conforming with all State statutes governing investment of public funds. The policy includes provisions with respect to diversification and the credit quality of securities purchased. EWEB’s primary objectives are, in order of priority: safety of principal, liquidity, and achieving a rate of return at least equal to the return on a comparably maturing U.S. Treasury bill. EWEB’s intention is to match its investments to anticipated cash flow requirements. Securities are intended to be held to maturity, unless the quality, yield or maturity characteristics of the portfolio can be improved by replacing one security with another. Holdings are restricted to securities maturing within three years, and the weighted average maturity of investments as of December 31, 2015 was less than one year. The Assistant Treasurer is responsible for the investment program, including procedures and controls. The Resolution restricts investments of certain funds to “Investment Securities,” which is defined in Appendix A.

The following tables show the cash and investments of EWEB’s Electric System as of December 31, 2015.

Electric System Cash and Investments

	Restricted Cash and Investments	Cash and Cash Equivalents and Short-term Investments	Designated Funds	Total
Cash on hand	--	\$ 13,560	--	\$ 13,560
Cash in bank	\$ 20,075,461	7,226,216	--	27,301,677
Investments in the Oregon Local Government Investment Pool	5,821,570	7,450,184	\$ 27,152,274	40,424,028
Investments – US Agencies, Treasuries and Corp.	16,224,772	18,115,133	66,020,786	100,360,691
Total	\$ 42,121,803	\$ 32,805,093	\$ 93,173,060	\$168,099,956

Source: EWEB 2015 annual report.

Electric System Cash and Investments by Fund

Unrestricted	
Working Cash	\$ 32,805,093
Rate Stabilization Fund	12,426,316
Power Reserve	27,359,486
Capital Improvement Reserve	23,563,093
Carmen-Smith Fund	15,790,304
Operating Reserve	5,796,972
Pension and Post-Retirement Fund	8,236,889
Total Unrestricted Funds	\$125,978,153
Restricted	
Construction Funds	\$ 18,846,308
Investments for Bond Principal and Interest	10,249,219
Debt Service Reserves	9,338,115
Customer Deposits and Other	1,618,064
Harvest Wind Escrow	2,070,097
Total Restricted	\$ 42,121,803
Total	\$168,099,956

Source: EWEB 2015 annual report.

Local Government Investment Pool

The Oregon Local Government Investment Pool (the “LGIP”) is an open-ended, no-load diversified portfolio pool. The fair value of EWEB’s position in the LGIP is substantially the same as the value of EWEB’s participant balance. The LGIP is an external investment pool that is part of the Oregon Short-Term Fund. Investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council (the “Council”). The State Treasurer is the investment officer for the Council. Investments are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board. The Oregon Short-Term Fund does not receive credit quality ratings from nationally recognized statistical rating organizations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund manages this risk by limiting the maturity of the investments held by the fund. As of May 31, 2016, the Oregon Short-Term Fund held approximately \$15.2 billion, and 71.27 percent of the money held in such fund matured within 93 days, 12.36 percent matured from 94 days to one year, and 16.37 percent matured from one to three years. In May 2016, the investments in the Oregon Short-Term Fund had an average daily interest rate of 0.7782 percent.

Financial Policies

Beginning in 1990, EWEB adopted a series of comprehensive financial policies that provide direction for the financial management of the enterprise. These policies set standards for rate sufficiency, rate stability, reserve funds, capital investment, and debt management that guide the development of budgets, rates, and debt issues. Taken as a whole, the financial policies are intended and designed to provide financial performance indicators, including debt service coverage and reserves above the average of other similar municipal electric and water systems. EWEB updated its financial policies in July 2015 and provides the Board of Commissioners with semi-annual updates of its 10-year financial forecast.

The rate sufficiency policy provides that rates and charges will be adequate to provide revenues sufficient to maintain a high degree of financial soundness over and above requirements for compliance with existing bond covenants. EWEB’s long term target for debt service coverage ratio for the Electric System is 1.75 times debt service. The rate stability policy provides that certain funds will be held in reserve for the purpose of mitigating the customer rate impact of unanticipated events. A Power Reserve Account has been created to smooth the effects of

power availability and prices, and the Rate Stabilization Fund has been created to smooth the effects of other unanticipated operational impacts.

Strategic Plan

By Board Policy, the Board of Commissioners review and approve EWEB's strategic direction annually. EWEB's most recent Strategic Plan Update was in June 2016. The plan addresses the changes and expected future trends in the electric and water utility industries and EWEB's response. Areas of focus resulting from the 2016 update include Smart Electric Growth and Retention Opportunities, Community/Grid Resiliency Planning, Leveraging Existing Dark Fiber Assets for Telecommunication, and Regional Water Supply Provision Positioning. EWEB's overarching strategy is to provide affordable and reliable water and power in a socially and environmentally responsible manner. Business priorities to achieve that strategy are to (1) enhance affordability, (2) connect with customers, and (3) cultivate a ready workforce.

The Electric System's customer growth is projected to stay under one percent for the foreseeable future; all load growth is planned to be offset by energy efficiency and conservation. Load loss, excess generating resources, and low wholesale market prices have been a source of financial challenges for the Electric System and rate pressure for customers. The plan notes that electrification of the transportation sector is the most likely significant source of growth in demand for electricity; distributed generation, particularly rooftop solar, is increasing; non-industry energy service providers are expanding their presence in the retail market; and cyber security is a growing concern.

ELECTRIC SYSTEM

General

The Electric System is operated as an independent system of EWEB and is managed by the Leadership Team who reports to the General Manager. See "THE EUGENE WATER & ELECTRIC BOARD—Administration and Management." The Electric System has been in operation for over 100 years. The Electric System served approximately 90,000 customers in 2015. In 2015, the Electric System received approximately 74.4 percent of its power supply from the Bonneville Power Administration ("Bonneville"), 6.5 percent from the Carmen-Smith and Trailbridge Hydroelectric Plants, 10.0 percent from other EWEB-owned resources and 9.1 percent from other contract resources. See "POWER SUPPLY—Electric System Energy Resources and Purchased Power Costs." In 2015, approximately 90 percent of electricity consumed by customers came from sources that do not generate carbon based emissions.

Service Area

Electric service is furnished within the City of Eugene and to adjacent suburban areas and areas along the McKenzie River between the cities of Walterville and Vida where two of EWEB's hydroelectric plants are located. EWEB's service area in and around the City adjoins the City of Springfield's system on the east, the Emerald People's Utility District's system and the Blachly-Lane County Electric Cooperative's system, both on the north and west, and Lane Electric Cooperative's system on the south. EWEB also provides service to International Paper Company's operation within the Springfield city boundary. The total service area covers 235.6 square miles.

The City Charter grants to the City Council the right to grant franchises for public utilities within the City. Oregon law authorizes cities to "exclude or eject" any public utility, telecommunications utility or heating company within the City.

Electric Properties

EWEB supplies power to its customers through its nine generating facilities and purchases from Bonneville and other power providers. The Electric System includes the electric utility properties, assets and rights now owned by EWEB, and all properties and assets constructed or acquired as renewals, replacements, additions, improvements and betterments to and extensions of such properties and assets, including facilities for the generation, transmission

and distribution of electric power and energy, excluding any electric utility properties, assets and rights hereafter constructed or acquired by EWEB as a separate utility system. No such separate utility system currently exists.

Transmission and Distribution

EWEB's 115 and 69 kV electric transmission system includes eleven points of interconnection with neighboring Bonneville and PacifiCorp transmission grids. EWEB's 35 electric distribution substations, serving customers in and around the City, are interconnected through 167 circuit miles of transmission line.

EWEB's hydroelectric and cogeneration projects also interconnect with this transmission network. Outside of the Eugene area, EWEB owns 37 circuit miles of 115 kV transmission lines that interconnect its Smith Creek and Stone Creek hydroelectric projects to the northwest grid.

EWEB's 12.47 kV distribution system serves approximately 90,000 customers via 1,132 circuit miles of overhead and underground lines. Eugene's downtown business district is served by a low voltage secondary network system.

In 2001, EWEB signed the Network Integration Transmission Service ("NT") agreement with Bonneville to provide transmission for EWEB's generation projects and power provided under the Bonneville power contract. The NT agreement was amended in 2011 to extend services through September 30, 2028, to comport with the power purchase contract. See "POWER SUPPLY—Bonneville Power Administration."

EWEB arranges for point-to-point transmission on an as needed basis to support sales of surplus power to various counterparties.

In 2015, EWEB was one of 190 of the nation's more than 2,000 utilities that received the Reliable Public Power Provider award from the American Public Power Association. The national average for the frequency of outages is 1.51 outages per customer per year; in 2015, EWEB's rate was 0.36 outages per customer per year.

Telecommunications

In 1999, EWEB constructed a 70-mile network of fiber-optic lines to serve substations, headquarters and other EWEB facilities. The network has been expanded to approximately 160 miles. The Electric System uses the network for all aspects of its communications between electric substations, local generation sites, and EWEB's dispatch center.

In 2000, Eugene voters approved changes to the City Charter giving EWEB broad authority to offer commercial telecommunications services to customers. EWEB maintains its certification as a Local Exchange Carrier ("CLEC"), but has elected not to provide telephone or other communications services to its customers.

The expansion rate of EWEB's fiber optic network has grown dramatically in recent years, which was initially due to local agencies receiving federal grants needing fiber optic connections, but most recently due to "Tier 2" internet service providers selling lower cost services utilizing EWEB fiber optic infrastructure. EWEB expects to continue to leverage existing assets while looking for opportunities to improve the overall network flexibility, performance and reliability.

EWEB continues to leverage past investment in infrastructure by leasing dark fiber transport to schools and other public agencies, primarily under the auspices of the Public Agency Network Intergovernmental Agreement ("PAN"), which provides for joint development and operation of a fiber-based communications network in Eugene and Springfield. The fiber network also provides connectivity for medical providers, private businesses and third-party telecommunications carriers.

EWEB jointly developed and jointly owns a microwave radio network and a land mobile network ("LMR") with the Cities of Eugene and Springfield and Lane County. In 2011, EWEB completed construction of two microwave/LMR communication sites in the McKenzie River Valley for communications with its Carmen-Smith Project and for expansion of the shared radio system. These integrated radio and fiber optic networks provide high

quality voice, data, and control system communications for the operation of the Electric System. In 2013, EWEB commissioned a City-wide ethernet network, over fiber optic cable, for multiple uses including Electric System and Water System supervisory control and data acquisition, advanced metering infrastructure, mobile workforce management, PAN and public/private communication services.

In 2015, EWEB partnered with the City, the Lane Council of Governments and the Technology Association of Oregon to provide high-speed internet fiber optic connections to 20 businesses in three downtown buildings. The partnership's future goal is to expand the footprint of these services by provisioning an open access, low-cost, high-speed municipal broadband network throughout the Eugene downtown business district.

Electric Rates

EWEB has, by City Charter and Oregon law, exclusive jurisdiction to fix rates for electric service within its service area. As part of its annual planning and budgeting process, EWEB examines the cost of providing electric service to determine if rates are sufficient to fund all operating costs and expenses, repairs, replacements, debt service and capital additions to the Electric System. In years with significant revenue requirement changes, a formal cost of service study is performed. At a minimum, the study is performed at least once every three years. The primary cornerstone of the cost of service study is to establish rates that, to the maximum extent feasible, do not include cross-subsidies among rate classes. At the end of the study, staff develops a rate proposal. EWEB then holds two public hearings to gather public comment on the rate proposal. Once the public comments have been considered, EWEB may modify or adopt the new rates. The last formal cost of service study was performed in the fall of 2013 for the February 2014 rate proposal. A formal cost of service study will be prepared for the 2017 rate proposal.

Rates and charges of EWEB are not subject to the jurisdiction or control of any State or Federal regulatory body. The Public Utility Regulatory Policies Act of 1978 ("PURPA") directs state regulatory authorities and non-FERC-jurisdictional utilities (including EWEB) to consider certain standards for rate design and other utility procedures. EWEB believes that it is operating in compliance with these PURPA ratemaking requirements.

EWEB has the following rate categories: residential service, small general service (0-30 monthly kilowatts), medium general service (31-500 monthly kilowatts), large general service (501-10,000 monthly kilowatts) and street lighting. The residential rate is composed of three monthly charges: the basic charge regardless of usage, the delivery charge that covers the cost of distribution, and the energy charge that covers the cost of producing the electricity and transmitting it to EWEB's distribution system. The general service rates include a demand charge, which charges for peak kilowatt usage during the billing period. See "Current Rate Schedules" for EWEB's current rates.

Rate Adjustment Mechanisms. In addition to the base rate adjustments, EWEB implemented two additional rate adjustment mechanisms in 2001 to allow interim rate changes with reduced process requirements. The first is a Power Cost Recovery Adjustment ("PCRA"). This is a retrospective comparison of planned and actual net power costs for the prior year. If there is a significant variation in net power costs, EWEB may surcharge or credit future bills to recover the difference. The second rate adjustment mechanism is a Bonneville Cost Recovery Adjustment ("Bonneville CRA"). Under its power contracts, Bonneville has the right to increase rates during a two-year rate period based on certain financial metrics. If there is a significant difference in budgeted rates as compared to actual rates, EWEB may adjust rates to reflect expected Bonneville costs for up to a 12-month period. In 2013, the Board of Commissioners approved a policy to allow rates to be automatically adjusted for a Bonneville CRA.

Because EWEB is a preference customer of Bonneville and purchases over 74 percent of its electric power from Bonneville, EWEB's cost of purchased power is directly related to Bonneville's wholesale power rates. See "ELECTRIC SYSTEM POWER SUPPLY—Bonneville Power Administration."

Bonneville adjusts its rates in October of odd-numbered years. Historically, EWEB has passed on that rate adjustment to customers the following month. In October 2015, Bonneville's rate adjustment resulted in a 3.1 percent increase to EWEB customers. EWEB included the impact of that rate increase with its February 2016 rate change. The following table shows the residential rate adjustments approved by the Board of Commissioners since 2010.

Residential Rate Adjustments

Effective Date	Average Increase
May 2010	2.50%
May 2011	3.50
November 2011 (Bonneville)	4.50
May 2012	5.50
May 2013	3.70
November 2013 (Bonneville)	1.75
May 2014	4.50
February 2015	0.00
February 2016	2.50

Current Rate Schedules

The following summarizes certain rate schedules of the Electric System as of February 1, 2016.

Monthly Electric System Rates

Residential

Basic Charge	\$20.50 per month
Delivery Charge	2.624¢ per kWh
Energy Charge	
First 800 kWh	5.948¢ per kWh
Over 800 kWh	7.435¢ per kWh

Small General Service (for service up to 30 kW)

Basic Charge	
Single-Phase Service	\$23.06 per month
Three-Phase Service	34.08 per month
Demand Charge	
First 10 kW	No charge
All additional kW	\$7.124 per kW
Delivery Charge	
First 1,750 kWh	3.577¢ per kWh
All additional kWh	0.132¢ per kWh
Energy Charge	6.900¢ per kWh

Medium General Service (for service from 31 to 500 kW)

Basic Charge	Secondary Service	Primary Service
Single-Phase Service	\$38.23 per month	--
Three-Phase Service	59.30 per month	\$3,444 per month
Demand Charge		
First 300 kW	\$7.431 per kW	--
Over 300 kW	\$7.431 per kW	\$7.281 per kW
Energy Charge	6.236¢ per kWh	6.148¢ per kWh

Large General Service (for service from 501 to 10,000 kW)

Basic Charge	\$2,757 per month	\$2,680 per month
Demand Charge		
First 300 kW	--	--
Over 300 kW	\$7.688 per kW	\$7.486 per kW
Energy Charge	4.944¢ per kWh	4.851¢ per kWh

Delinquencies

EWEB makes every reasonable and cost-effective attempt to secure payment of all accounts receivable. In accordance with bond covenants, products and services are not provided free of charge. Bills are issued based upon actual use of products and services, except that billings are estimated when EWEB service meters are inaccessible, or other considerations necessitate issuing estimated billings. EWEB has a good record of collecting on its customer billings. Accounts receivable write-offs in 2015 were \$646,000 or 0.03 percent of retail energy sales revenue.

Comparative Monthly Electric Bills

The following table compares the Electric System's monthly electric bills for selected residential, commercial and industrial loads with those of other local and major public and private utilities. The comparative monthly electric bills shown are based on specific rate schedules for each utility; the use of other schedules applicable to particular customers will yield different results.

	Electric System⁽¹⁾		
	Comparable Monthly Electric Bills		
	as of June 1, 2016		
	(Average summer/winter rates where applicable)		
	Residential	Small General Service	Large General Service
	(1,600 kWh)	(20 kW 8,500 kWh)	(1,000 kW 600,000 kWh)
EWEB	\$170	\$752	\$37,026
Oregon People's Utility District			
Emerald PUD	150	769	48,650
Washington Public Utility District			
Snohomish PUD	158	757	45,905
City Utilities			
Springfield Utility Board	98	483	31,663
Salem Electric	142	669	39,276
Seattle City Light	180	729	40,149
Tacoma Power	129	674	32,265
Private Power Companies/Cooperatives			
Blachly-Lane Electric Cooperative	179	578	31,422
Lane Electric Cooperative	168	836	40,197
Pacific Power (a PacifiCorp Company)	185	805	36,298
Portland General Electric	178	748	34,350
Puget Sound Energy	170	830	45,631

(1) Computed from the rate schedules provided by or found on the websites of the utilities listed. There are some variations in rate schedules and rate classification of the various utilities.

Source: EWEB and individual utilities.

Electric System's Customers

In 2015, residential customers made up approximately 90 percent of Electric System customers and approximately 50 percent of retail sales. The following table lists EWEB's five largest customers. In 2015, these customers represented 14.8 percent of EWEB Electric System revenues and 25.2 percent of energy consumption. EWEB has modeled the hypothetical loss of loads from its largest customers; the impact of the loss of any one of its large customers would be an average retail rate increase of less than two percent. EWEB has contracts with its three largest customers.

Five Largest Customers

Name	Type of Business	Revenues	% of Total Revenues	MWh	% of Total MWh
International Paper	Container Board	\$19,708,497	9.7%	414,050	18.0%
University of Oregon	Education	3,854,332	1.9	64,953	2.8
Flakeboard America Ltd	Sustainable Forest Products	3,466,270	1.7	55,098	2.4
City of Eugene	Government	1,754,494	0.9	26,181	1.1
Lane County	Government	1,259,505	0.6	20,206	0.9
		\$30,043,098	14.8%	580,488	25.2%

EWEB has served the Springfield containerboard mill site since 1948. The mill has been owned by International Paper since 2008. The current contracts between EWEB and International Paper were entered into in October 2011 and expire on September 30, 2019, and govern retail power services provided by EWEB to the mill and the joint operation of the cogeneration unit described under “ELECTRIC SYSTEM POWER SUPPLY—EWEB-Owned Resources—*International Paper Industrial Energy Center Cogeneration Project.*” EWEB is responsible for supplying power to serve the retail requirements of the mill and International Paper is responsible for paying the cost of such power purchased from Bonneville as “block” power. See “ELECTRIC SYSTEM POWER SUPPLY—Bonneville Power Administration.” In 2016, International Paper announced a \$100 million capital improvement plan aimed at modernizing the Springfield mill.

The following table presents the Electric System’s customers, retail energy sales, revenues and peak demand during the calendar years 2011 through 2015.

Electric System Customers, Retail Energy Sales, Revenue and Peak Demand⁽¹⁾

	2011	2012	2013	2014	2015
Customers					
Residential	78,437	78,765	79,687	80,708	81,926
Commercial & Industrial	9,251	9,289	9,383	9,425	9,483
Total Customers	87,688	88,054	89,070	90,133	91,409
Retail Energy Sales (MWh)					
Residential	992,547	941,922	980,515	919,175	893,001
Commercial & Industrial	1,421,930	1,433,147	1,427,880	1,492,279	1,484,380
Total Retail Energy Sales (MWh)	2,414,477	2,375,069	2,408,395	2,411,454	2,377,381
Retail Energy Sales					
Residential	\$ 88,541,584	\$ 90,784,575	\$ 99,053,270	\$100,206,047	\$ 98,899,532
Commercial & Industrial	84,069,769	93,040,047	96,395,554	104,287,038	104,751,910
Total Retail Energy Sales	\$172,611,353	\$183,824,622	\$195,448,824	\$204,493,085	\$203,651,442
Average Annual Consumption per Residential Customer (kWh) ⁽²⁾	12,654	11,959	12,305	11,389	10,900
Average Residential Revenue (cents per kWh)	8.9¢	9.6¢	10.1¢	10.9¢	11.1¢
Average Annual Residential Revenue per Customer	\$1,129	\$1,153	\$1,243	\$1,242	\$1,207
Peak Load (kW)	472,000	479,000	557,000	497,000	473,000

(1) Sales and revenue information includes collections for contributions in lieu of tax (“CILT”), which is included in retail rates. In the Historical Operating Results table after 2012, Operating Revenue is reported net of CILT collections.

(2) 1 kWh equals 0.001 MWh.

A substantial portion of Electric System peak load is attributed to electric heating and, therefore, peak load in any given year is a function of winter weather.

Wholesale Sales and Purchases

The majority of EWEB's power supply comes from hydroelectric generation. The financial performance of the Electric System is largely influenced by the availability of water for generation and the prices obtainable for excess generation in the wholesale markets. EWEB sets budgets and power supply forecasts based on the historical average hydroelectric generation. Budgets assume that hydroelectric generation will be 90 percent of the historical average. Hydroelectric generation in 2015 was 85.5 percent of the historical average. Even with the reduced water for generation and historically low wholesale prices in 2015, reserves increased due to cost reduction efforts to mitigate the impact of reduced revenue. Measurements and conditions for forecasts are modeled from power projects in the Pacific Northwest Columbia River Basin. With early spring run-off, generation through May 2016 has been 104.8%. Hydroelectric generation for 2016 is projected to be 98.4% of historical average by year end. When the amount of water for generation is greater than 90 percent and prices are sufficient, additional funds are added to reserves from wholesale sales to offset potential deficits in future years.

EWEB's combination of generation and long term power supply contracts are generally sufficient to meet the Electric System's load requirements on an annual basis. Power not needed to serve retail load is sold into the wholesale markets. EWEB purchases and sells electricity on a daily, weekly, monthly, and seasonal basis to balance resources and load. EWEB is expected to have surplus power on an annual firm basis during most months of the year, but this may vary considerably based on weather and water conditions. During periods when resources are in excess of retail load, EWEB may sell excess capacity into the wholesale markets and is exposed to commodity price risk.

EWEB enters into forward contracts intended to manage the price risk associated with power sales in the wholesale market. The Electric System has a hedging program to ensure prices for power sold into the wholesale market do not drop below the amount budgeted. Prices for market sales have reached historic lows, largely due to downward pressure on prices from low cost natural gas powered resources and decreases in the price of oil. When customer load is lower than anticipated, unsold power is sold at market prices much lower than retail rates, resulting in lower operating revenue overall.

The following table contains a summary of EWEB's energy sales for wholesale customers for the past three years. The wholesale sales are shown net of non-physical delivery.

	Wholesale		
	Energy Sales, Volume and Average Price per MWh		
	2013	2014	2015
Wholesale Sales	\$48,494,081	\$57,729,892	\$38,761,472
Wholesale Volume	1,584,695	1,818,055	1,687,954
Average price per MWh	\$30.60	\$31.75	\$22.96

Power Risk Management; Derivatives

In order to ensure prudent participation in wholesale markets, EWEB maintains a comprehensive power risk management infrastructure. The Board of Commissioners provides strategic direction to management, which includes the formation of a Power Risk Management Committee ("RMC"), comprised of managers and subject matter experts. The objective of the RMC is to provide reasonable assurances that wholesale power activity provides the support necessary to achieve EWEB's financial strategies and policies.

EWEB has adopted Power Risk Management Policy and procedures, which set forth policies, limits and control systems governing power purchase and sales activities for the Electric System. The objectives of such policies are to maximize benefits to the customers from wholesale activities while minimizing the risk that wholesale activities will adversely affect retail prices. Compliance with policies is monitored by the RMC. Key components of the procedures include the following:

- Prohibition on speculative trade activity
- Resource adequacy requirements

- Financial and volumetric limitations on market positions across a five year horizon
- Monitoring and reporting of aggregate hedging activity
- Execution and approval requirements for all transactions
- Minimum credit review requirements
- Maximum exposure thresholds by creditworthiness
- Daily valuation of counterparty exposure
- Valuation and reporting of short-term and mid-term compliance positions
- Financial stress testing

EWEB enters into forward purchase and sale contracts for electricity with a variety of organization types, including utilities, municipalities, financial institutions, corporations, independent power producers and marketers. EWEB is exposed to credit risk related to the possibility of non-performance by its counterparties. To limit the risk of counterparty default or non-performance, EWEB uses an evaluation process that assigns an internal measure of creditworthiness to EWEB's counterparties and sets limits to the dollar value of business that can be transacted with counterparties. All counterparties and their associated credit limits are monitored and reviewed on a regular basis. EWEB generally chooses not to do business with counterparties with credit risk ratings giving rise to cash collateral requirements. On a case by case basis, however, EWEB may require letters of credit or other forms of security in lieu of cash collateral.

EWEB utilizes derivative instruments to minimize its exposure to wholesale price risk. As of December 31, 2015, there were \$4.7 million in hedging derivatives not yet settled and with positive mark to market, accounted for as other assets and deferred inflows and there were \$895,000 in hedging derivatives not yet settled with negative mark to market accounted for as other liabilities and deferred outflows. When hedging derivatives settle, they are recorded as either wholesale sales revenue or purchased power expense.

A hedging derivative can be found to be ineffective if, before settlement, either the customer load forecast increases or forecast resources decrease. When either event happens, hedges can be in excess of the resources to be hedged and are then classified as investment hedges. At that time, the fair value is recorded as investment revenue and a deferred inflow or outflow. When the underlying trades settle, the settled amounts are recorded as wholesale sales revenue, net of deferred inflows and outflows. For the year ended December 31, 2015, \$564,000 had been recognized as an investment loss from derivatives.

Hedging derivative and forward contracts may be terminated by mutual agreement of EWEB and the counterparty, or upon the occurrence of a termination event. Termination events include the non-payment, non-delivery, deterioration of creditworthiness, or other material adverse changes, among other events. EWEB may be required to pay a termination payment even if a counterparty defaults. Governing documents for forward contracts are established by the International Swaps and Derivative Association and/or Western Systems Power Pool, as applicable. During the years 2010-2015 there were no terminations.

The following table shows EWEB's hedging derivatives as of December 31, 2015.

	Hedging Derivatives	
	(as of December 31, 2015)	
	2015	2014
Notional Value	\$11,678,920	\$20,295,040
Fair Value – Asset	\$4,688,639	\$5,157,956
Fair Value – Liability	\$895,480	\$589,300
Cash Paid	\$716,840	\$884,360
Reference Rates	Mid-C Index	Mid-C Index
Dates Entered Into	01/2013 through 12/2015	05/2012 through 12/2014
Dates of Maturity	01/2016 through 12/2017	01/2015 through 12/2017

Preparedness and Cyber Security

EWEB has included infrastructure resiliency in its Electric System Capital Plan that is expected to be approved by the Board of Commissioners in July 2016. EWEB is assessing the impacts of the Cascadia Subduction Zone Earthquake and other potential disasters in order to “rebound” in an efficient and effective manner to restore system capabilities for critical loads and ultimately to all of its customers. These resiliency improvements are incorporated in the Capital Improvement and Long Term Financial Plans. EWEB is also preparing the community through education for emergency preparedness in partnering with the American Red Cross and other public agencies which will help aid in the recovery process in the case such a disaster occurs.

EWEB conducts annual System Restoration Exercises identifying and rectifying any deficiencies in restoring the Electric Generation, Transmission, and Distribution systems. Critical staff have been identified and trained in the Incident Command System and all emergency response is managed using the Incident Command System. EWEB has Mutual Aid Agreements with the Western Energy Institute (“WEI”), the American Public Power Association (“APPA”) and local utilities. EWEB has a Region 10 APPA Mutual Aid Coordinator and a WEI Mutual Aid program associate on staff. All Transmission and Distribution Operators are certified through the North American Electric Reliability Corporation and all Transmission and Distribution operations meet or exceed the North American Electric Reliability Corporation Reliability Standards.

EWEB is in compliance with all regulatory requirements related to its information services (“IS”) and Industrial Control System (“ICS”) resources. The architecture of EWEB’s IS and ICS systems provide the necessary data confidentiality, security, integrity, and availability to assure reliable business operations and electrical system operations of the Electric System. The strategy behind this security architecture is to protect EWEB’s cyber assets, detect signs of compromise, respond and recover from a detected compromise of IS or ICS systems.

The North American Electric Reliability Corporation Critical Infrastructure Protection cyber security standards outline the compliance requirements for the EWEB ICS systems. EWEB has developed the necessary cyber security policies and subordinate programs, plans, processes and procedures to address all requirements and sub-requirements in the critical infrastructure protection standards. EWEB has implemented cyber security resources to attain and sustain compliance with the standards. Security personnel are dedicated to protecting EWEB’s cyber assets and have implemented commonly used cyber security and IS practices in the security solutions.

EWEB also recognizes that all personnel are involved in the success of the cyber security program. To address this, EWEB has developed an all-employee cyber security awareness program to continue to build on employee’s security knowledge. Additionally, EWEB performs two cyber vulnerability assessments and an annual penetration test to identify any issues or gaps that can be mitigated in an effort to regularly improve EWEB’s reliability posture. To further enhance cyber security, EWEB has a \$3 million cyber insurance policy.

Operating Results

The following table presents a summary income statement of the Electric System for the calendar years 2011 through 2015. For purposes of the Bond Resolution covenants and debt service coverage calculation depreciation, amortization of conservation assets and interest expense are not included as Operating Expenses. Appendix B contains the audited financial statements for EWEB for the years ended December 31, 2015 and 2014.

**Electric System
Historical Operating Results⁽¹⁾**

	2011	2012	2013	2014	2015
OPERATING REVENUES					
Residential	\$ 88,541,584	\$ 85,337,500	\$ 93,465,978	\$ 94,553,818	\$ 93,321,059
Commercial and Industrial	87,377,642	88,015,788	90,305,936	97,731,619	98,152,553
Sales for Resale	65,526,661	47,791,870	48,494,081	57,729,892	38,761,472
Other Revenue	13,242,849	4,238,875	5,794,223	7,154,880	8,747,550
Net Regulatory Credits ⁽²⁾	8,377,458	6,944,050	--	--	--
Total Operating Revenues	<u>\$ 263,066,194</u>	<u>\$ 232,328,083</u>	<u>\$ 238,060,219</u>	<u>\$ 257,170,209</u>	<u>\$ 238,982,634</u>
OPERATING EXPENSES					
Purchased Power	\$ 112,273,708	\$ 101,960,527	\$ 108,998,086	\$ 115,015,794	\$ 108,239,149
System Control	6,631,846	6,623,647	6,174,737	6,828,337	5,902,729
Wheeling	12,309,123	12,246,671	12,562,973	12,866,001	12,903,605
Steam and Hydraulic Generation	13,622,711	11,336,093	11,426,464	12,180,126	11,631,177
Transmission and Distribution	17,960,947	18,721,597	17,936,464	20,924,788	22,147,905
Customer Accounting	10,107,118	9,605,099	10,149,095	9,285,136	8,151,904
Conservation Expenses	9,185,095	6,890,817	3,679,257	3,766,563	3,885,029
Administration and General	22,869,289	23,800,403	19,082,016	22,381,311	21,018,247
Depreciation on Utility Plant	17,954,546	16,690,026	17,494,697	19,532,135	23,537,801
Total Operating Expenses	<u>\$ 222,914,383</u>	<u>\$ 207,874,880</u>	<u>\$ 207,503,789</u>	<u>\$ 222,780,191</u>	<u>\$ 217,417,546</u>
TOTAL OPERATING INCOME	<u>\$ 40,151,811</u>	<u>\$ 24,453,203</u>	<u>\$ 30,556,430</u>	<u>\$ 34,390,018</u>	<u>\$ 21,565,088</u>
OTHER INCOME/(EXPENSES)					
Contributions in Lieu of Taxes	\$ 13,624,591 ⁽⁶⁾	--	--	--	--
Investment Earnings	932,114	\$ 604,436	\$ 893,593	\$ 1,204,649	\$ 678,899
Intersystem Interest Earnings	1,197,175	1,177,806	1,159,177	1,139,644	1,119,164
Allowance for Funds used During Construction	172,541	100,585	119,857	--	--
Interest Expense and Related Amortization	(13,050,882)	(12,595,278)	(12,843,004)	(12,403,032)	(11,033,773)
Other Revenue/(Deductions), net ⁽³⁾	<u>2,809,239</u>	<u>1,655,244</u>	<u>1,623,423</u>	<u>3,334,271</u>	<u>3,403,447</u>
Total Other Income/(Expenses)	<u>\$ (21,564,404)</u>	<u>\$ (9,057,207)</u>	<u>\$ (9,046,954)</u>	<u>\$ (6,724,468)</u>	<u>\$ (5,832,263)</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS					
	\$ 18,587,407	\$ 15,395,996	\$ 21,509,476	\$ 27,665,550	\$ 15,732,825
Contributions in Aid of Construction	\$ 2,833,510	\$ 1,693,346	\$ 2,459,663	\$ 2,792,653	\$ 3,085,774
Contributed Plant Assets	\$ 469,248	\$ 68,900	\$ 157,414	15,678	\$ 920,455
Grants⁽⁴⁾	\$ 51,844	--	--	--	--
CHANGE IN NET POSITION	\$ 21,942,009	\$ 17,158,242	\$ 24,126,553	\$ 30,473,881	\$ 19,739,054
AVAILABLE FOR DEBT SERVICE⁽⁵⁾	\$ 51,304,069	\$ 44,206,069	\$ 51,727,319	\$ 58,711,416	\$ 79,117,817
Annual Parity Debt Service	\$ 23,243,120	\$ 20,230,373	\$ 19,233,868	\$ 22,391,124	\$ 24,290,157
Parity Debt Service Coverage	2.2x	2.2x	2.7x	2.6x	2.1x
Subordinate Debt Service	\$ 2,647,640	2,647,640	\$ 2,647,640	\$ 2,647,640	\$ 29,432,392 ⁽⁸⁾
All-in Debt Service Coverage	2.0x	1.9x	2.4x	2.3x	1.5x ⁽⁸⁾
TOTAL NET POSITION—BEGINNING OF PERIOD	\$ 303,995,213	\$ 325,937,222	\$ 343,095,464	\$ 322,184,845 ⁽⁷⁾	\$ 352,658,726
TOTAL NET POSITION — END OF PERIOD	\$ 325,937,222	\$ 343,095,464	\$ 367,222,017	\$ 352,658,726	\$ 372,397,780

(1) Columns may not foot due to rounding.

(2) Regulatory credits represent the recognition of revenue deferred from prior periods, intended to match expenses for relicensing.

(3) Other revenue includes grant revenue, gain on disposal of property, and other miscellaneous non-operating revenue. Other revenue deductions include grant expense, loss on disposal of property, and other miscellaneous non-operating expenses.

(4) Grant revenue is classified as capital when the grant is used to construct or acquire capital assets.

(5) Excludes depreciation, amortization of conservation assets and interest expense. Available for Debt Service year 2015 includes \$28,760,635 in Other Monies (reserves) to pay the junior lien debt related to the Harvest Wind Project.

(6) Starting in 2012, EWEB changed the accounting treatment for CILT, which is treated as collected on behalf of, and payable to the Cities, and is not included in operating revenue or expense.

(7) Beginning Net Position for year 2014 was restated, reduced by \$45 million, for implementation of accounting standards for pension expense in 2015. The change in net position for 2014, as restated, for this implementation was an increase of \$944,000. Debt Service Coverage for year 2014 was not restated.

- (8) In 2015, the maturity payment for the junior lien debt related to the Harvest Wind Project was included in all-in debt service causing a large decrease to all-in debt service coverage.

Management's Discussion of the Electric System's Financial Results

Operating revenue varies from year-to-year based on customer load, generation available for sale, and the market prices for generation available for sale. Electric System net operating revenue for 2015 decreased compared to both 2014 and 2013 primarily due to economic factors including market prices for power and weather trends. Prices for wholesale sales have reached historic lows, largely due to low cost natural gas-powered resources and decreases in oil prices. To compensate for lower revenues, the Electric System reduced spending and used cash reserves. Non-operating revenue decreased in 2015 compared to 2014 when non-operating revenue included a large grant from FEMA for storm restoration and the gain on sale of surplus property. In 2016, first quarter retail sales were lower than budget due to warmer than typical weather which was partially offset by higher than projected wholesale sales. Contribution margin, which is a measure of the amount power purchase and sales activity contributes to the other operating costs of the utility, is projected to be approximately \$5 million under budget at year end. Management has strategically reduced expense budgets and is holding an additional \$5 million in power reserves above the Board of Commissioners target to mitigate the financial impact. The 2016 budget included a planned reserve deposit of \$8.7 million and accordingly, no reserve draw for 2016 operations is anticipated at this time.

EWEB's Modernization Program

EWEB is in the process of preparing to offer enhanced customer services made available by significant advances in technology. These upgrades will allow EWEB to improve service reliability and efficiency, enable customers to more easily manage their electric and water use and expand the menu of services and choices available to customers. EWEB is in the midst of upgrading many of its technology platforms, including customer information, geographic information, outage management, data management, and its aging electric and water meters. Already underway, the upgrades are expected to continue through 2018. When complete, customers will be able to choose when and if they want to have enhanced services enabled by wireless technology.

Capital Plan

The five year historical capital expenditures, and the most recent five-year projection and approved capital plan revised as of July 2015, for capital expenditures with expected resources, are presented in the following table:

Historical Electric System Capital Expenditures (\$000)						
	2011	2012	2013	2014	2015	Total
<u>Actual Capital Expenditures</u>						
Carmen-Smith Relicensing & Improvements	\$ 8,272	\$ 9,367	\$ 2,551	\$ 82	\$ 3,669	\$ 24,441
Generation	910	1,432	1,958	1,997	4,006	10,303
Transmission & Distribution	17,421	13,215	13,697	13,220	11,198	68,751
General Plant	3,757	10,915	9,605	5,723	1,880	31,880
Total Expenditures	<u>\$30,360</u>	<u>\$34,929</u>	<u>\$27,811</u>	<u>\$21,522</u>	<u>\$20,753</u>	<u>\$135,375</u>
<u>Capital Funding Sources</u>						
Electric Rates	\$15,647	\$16,657	\$16,062	\$14,582	\$14,330	\$77,278
Customer Contributions	3,862	1,694	2,829	2,793	3,086	14,264
Bond Funds	10,851	12,047	8,920	4,147	3,337	39,302
Reserves ⁽¹⁾	--	4,531	--	--	--	4,531
Total Funding	<u>\$30,360</u>	<u>\$34,929</u>	<u>\$27,811</u>	<u>\$21,522</u>	<u>\$20,753</u>	<u>\$135,375</u>

(1) Reserves are used when expenses exceed Capital Improvement Plan deposits funded by Electric Rates.

Projected Electric System Capital Plan (\$000)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
<u>Program Budgets</u>						
Carmen-Smith Relicensing & Improvements	\$10,590	\$12,960	\$6,470	\$20,528	\$29,619	\$ 80,167
Generation	2,486	1,196	1,910	737	2,810	9,139
Transmission & Distribution	19,675	12,420	14,340	14,010	13,180	73,625
General Plant	6,625	8,173	6,936	6,969	6,148	34,851
Total Expenditures	<u>\$39,376</u>	<u>\$34,749</u>	<u>\$29,656</u>	<u>\$42,244</u>	<u>\$51,757</u>	<u>\$197,782</u>
<u>Capital Funding Sources</u>						
Electric Rates	\$18,665	\$18,665	\$18,665	\$18,665	\$18,665	\$ 93,325
Customer Contributions	10,125	4,026	4,102	4,178	4,254	26,685
Bond Funds ⁽¹⁾	10,590	4,910	--	19,258	29,619	64,377
Carmen-Smith Dedicated Funds	--	8,050	6,470	1,270	--	15,790
Interest on Reserves	66	61	84	83	87	381
Increase/(Decrease) in Reserves	<u>(70)</u>	<u>(963)</u>	<u>335</u>	<u>(1,210)</u>	<u>(868)</u>	<u>(2,776)</u>
Total Funding	<u>\$39,376</u>	<u>\$34,749</u>	<u>\$29,656</u>	<u>\$42,244</u>	<u>\$51,757</u>	<u>\$197,782</u>

(1) EWEB expects to issue long-term indebtedness in 2019, 2022 and 2025 to finance some of these capital expenditures. See "DEBT SERVICE REQUIREMENTS—Additional Borrowing."

ELECTRIC SYSTEM POWER SUPPLY

Electric System Energy Resources and Purchased Power Costs

The following table contains a summary of the electric generating resources that are either owned or under long-term contract to EWEB.

Energy Resources (MWh)

	2011	2012	2013	2014	2015	% of Total for 2015
System Purchases						
Bonneville	3,048,190	2,601,050	2,396,987	2,428,029	2,323,881	74.4%
Market Purchases ⁽¹⁾	1,879,452	1,612,428	1,195,022	1,563,582	1,090,144	N/A
Subtotal	<u>4,927,642</u>	<u>4,213,478</u>	<u>3,592,009</u>	<u>3,991,611</u>	<u>3,414,025</u>	
EWEB-Owned Resources						
Carmen-Smith and Trailbridge Hydroelectric Plants	278,538	300,078	256,502	286,807	203,799	6.5%
Leaburg Hydroelectric Plant	104,773	101,534	100,213	89,887	57,150	1.8
International Paper Cogeneration Project ⁽²⁾	53,569	54,781	76,461	70,367	78,680	2.5
Smith Creek Hydro Project	61,477	79,289	80,340	82,749	65,693	2.1
Stone Creek Hydroelectric	75,638	62,070	62,682	62,828	46,562	1.5
Walterville Hydroelectric Plant	53,854	62,462	64,049	53,595	41,519	1.3
Foot Creek I (WY) Wind Project	28,033	22,920	23,970	27,349	21,926	0.7
Subtotal	<u>655,882</u>	<u>683,134</u>	<u>664,217</u>	<u>673,582</u>	<u>515,329</u>	<u>16.4%</u>
Contract Resources						
Grant County PUD/Priest Rapids Development	13,881	17,137	16,338	11,839	13,155	0.4%
Stateline Wind Project	59,101	53,813	51,868	50,679	49,146	1.6
Klondike Phase-III Wind Project	66,455	62,432	67,030	64,526	59,468	1.9
Harvest Wind Project	53,030	48,382	52,805	52,096	45,723	1.5
Seneca Biomass	80,835	110,106	114,443	116,818	115,312	3.7
Metropolitan Wastewater Mgmt. Comm.	5,335	5,109	6,198	--	--	--
Solar PV (approximate)	2,199	2,200	2,391	2,207	2,221	0.1
Subtotal	<u>280,836</u>	<u>299,179</u>	<u>311,073</u>	<u>298,165</u>	<u>285,025</u>	<u>9.2%</u>
Total⁽³⁾	5,864,360	5,195,791	4,567,299	4,963,358	4,214,379	100.0%

(1) Market Purchases include non-physical delivery purchases and is not included in the Percentage of Total for 2015.

(2) EWEB's half-share of the project output.

(3) Totals may not add due to rounding.

Bonneville Power Administration

Bonneville was established by the Bonneville Project Act of 1937. Bonneville markets power from 31 federal hydroelectric projects, one non-federally owned nuclear plant, several small power plants in the Pacific Northwest, and from various contractual rights having an expected aggregate output of the Federal System in operating year 2017 (August 1, 2016 through July 31, 2017) of 10,309 annual average megawatts ("aMW") under average water conditions and 8,089 annual aMW under low water conditions. Annual aMW are the number of megawatt-hours of electric energy used, transmitted, or produced over the course of one year and each annual aMW is equal to 8,760 megawatt-hours. These hydroelectric projects, built and operated by the United States Bureau of Reclamation and the United States Army Corps of Engineers, are located in the Columbia River basin. The region's sole nuclear facility was built and is being operated by Energy Northwest. The Federal System currently produces more than one-third of the region's electric energy supply. Bonneville's transmission system includes over 15,000 circuit miles of transmission lines, provides approximately 75 percent of the Pacific Northwest's high-voltage bulk transmission capacity, and serves as the main power grid for the Pacific Northwest. Bonneville sells electric power at wholesale rates to more than 125 utility, industrial and governmental customers in the Pacific Northwest. Its service area covers over 300,000 square miles and has a population of over 13 million.

EWEB and other publicly owned utilities and cooperatives are "preference" customers of Bonneville pursuant to federal legislation, which requires Bonneville to give preference and priority to public agencies and cooperatives in

the distribution and marketing of federal power. In 2015, EWEB was Bonneville's seventh largest preference power service customer and accounted for approximately three percent of Bonneville's preference power sales.

Bonneville supplies EWEB power under a 17-year Block and Slice Power Sales Agreement, which extends from October 1, 2011 through September 30, 2028. This contract provides federal power in the form of two products: Block and Slice. The Block product provides fixed quantities of power at designated times and in monthly amounts ranging between 110 MW to 120 MW. The Slice product provides EWEB about 1.8 percent of the output of the Federal System as generated. For the Slice product, EWEB accepts the risk of fluctuations in actual Federal System output and is responsible for managing its share of the Federal System. EWEB's share of the Slice product is expected to be 160 aMW in an average year, but varies considerably based on water conditions within the Northwest.

Under the Bonneville power sales agreement, Bonneville requires preference customers to post collateral if Bonneville determines that it is necessary to secure the payments under the contract. Bonneville has not required EWEB to post collateral, and EWEB does not expect to be required to post collateral in the future.

Under all of the Bonneville preference power contracts, the amount of power ("Tier 1" power) that preference customers may purchase under Bonneville's lowest cost rate is limited to an amount equal to the generating output of the current Federal System, with some limited amounts of augmentation. Any incremental purchases ("Tier 2" power) by preference customers above this base amount of power is sold at a rate reflecting the incremental cost to Bonneville of obtaining the additional power. Bonneville has established for each preference customer a contractually defined level of access to power available at Bonneville's lowest cost preference rate ("Tier 1" rates). This Tier 1 amount eligible for purchase is based on the lesser of the customer's rate period high mark established by Bonneville every two years or the customer's net requirement load forecasted each year. EWEB does not currently purchase and is not projected to need Tier 2 power.

Bonneville Rates. Bonneville is required by federal law to recover all of its costs through the rates it charges its customers. Bonneville conducts a rate case every two years. Bonneville's current average preference customer rate is \$33.75 per MWh. The current rate period monthly composite customer rate for EWEB's critical Slice share of 1.8 percent is \$2,062,767 per month per percentage point, or \$3,700,000 per month. Bonneville raised its rates 7.1 percent overall effective October 1, 2015. Bonneville conducts a rate case every two years, but the rates are subject to a cost recovery adjustment clause that allows power rates to increase during a two-year rate period if certain events occur. Bonneville has announced that it does not expect the Bonneville CRA to trigger in its 2017 fiscal year. There are any number of factors that have and could impact Bonneville's cost of service and rates, including federal legislation, Bonneville's obligations regarding its outstanding federal debt, number of customers, water conditions, fish and other environmental regulations, capital needs of the Federal System, outcome of various litigation, and regional transmission issues. Bonneville will begin the next rate proceedings in November 2016 and the next rate increase will be effective October 1, 2017.

Bonneville Transmission Services. EWEB traditionally purchased bundled electric power and transmission services from Bonneville under EWEB's power sales contract. In response to changed Federal Energy Regulatory Commission ("FERC") regulations, however, Bonneville unbundled its electric transmission services in the late 1990's, and now requires that transmission be purchased separately. EWEB purchases Network Integration Transmission Service from Bonneville. EWEB's current contract with Bonneville for transmission services expires on September 30, 2028. Bonneville raised its average transmission rates approximately 4.4 percent effective October 1, 2015.

Energy Northwest. Energy Northwest is a Washington municipal corporation, whose membership includes 27 Washington municipal utilities. Energy Northwest was engaged in the construction of five nuclear generation facilities (Projects Nos. 1, 2, 3, 4 and 5), of which one, the Columbia Generating Station (formerly Project No. 2) was placed in commercial operation in 1984. Construction of Projects Nos. 4 and 5 was terminated in 1982 and construction of Projects Nos. 1 and 3 was terminated in 1994. EWEB purchased a 0.061 percent share of Project No. 1, but is not a member of Energy Northwest. EWEB, Energy Northwest, and Bonneville entered into a separate Net Billing Agreement with respect to Energy Northwest's Project No. 1, under which EWEB purchased from Energy Northwest, and in turn, assigned to Bonneville EWEB's share of the capability of Project No. 1. Under the Net Billing Agreement, Bonneville is responsible for EWEB's percentage share of the total annual cost of Projects

No. 1, including debt service on revenue bonds issued to finance the cost of construction of such Net Billed Project, whether or not the Project is completed. In 2006, Energy Northwest and Bonneville executed agreements with respect to the Net Billed Projects under which Bonneville agreed to pay directly to Energy Northwest all costs for the Net Billed Projects, including EWEB's share. Since 2006, this has resulted in no payments by, or credits to EWEB under the Net Billing Agreement. In the event that Bonneville fails to make a payment, or the parties terminate the Direct Pay Agreements, the original obligations of the Net Billing Agreements would resume. Bonneville has always met all of its obligations to Energy Northwest.

EWEB-Owned Resources

Carmen-Smith and Trailbridge Hydroelectric Project. EWEB owns and operates the Carmen-Smith Hydroelectric Project ("Carmen-Smith Project") near the head waters of the McKenzie River in Linn County, Oregon. The Carmen-Smith Project is EWEB's largest utility-owned generation source and is a hydro peaking facility made up of three dams and two powerhouses. The Carmen-Smith Project includes the Carmen Power House with two generating units with a nameplate capacity of 52 MW each. The Carmen-Smith Project also includes the Trail Bridge re-regulating facility, with an additional generating unit with a nameplate capacity of 10 MW.

The federal operating license for the Carmen-Smith Project expired on November 30, 2008. A license application was submitted to FERC in 2006, and supplemented with a comprehensive settlement agreement, signed by State and Federal agencies, Native American tribes and non-governmental organizations, in 2008. EWEB and the other settlement parties are currently crafting revisions to the Settlement Agreement that are expected to be submitted to FERC by late-2016. FERC action on EWEB's license application remains pending but is expected in 2017. Since 2008, EWEB has received, and expects to continue to receive until the new license is issued, an annual operating license from FERC that allows EWEB to operate the project under the terms of the original license. The revised Settlement Agreement is anticipated to include capital improvements for fish, wildlife and recreation enhancements. Projected costs for the enhancements are included in the capital improvement plan. See "ELECTRIC SYSTEM—Capital Plan."

Leaburg-Waltermville Hydroelectric Project. EWEB also owns and operates the Leaburg-Waltermville Hydroelectric Project ("LW Project") on the McKenzie River in Lane County, Oregon. The LW Project is comprised of two run-of-river facilities located at different points on the McKenzie River. The Leaburg facility includes a diversion dam on the lower McKenzie River, a canal and two generating units with a combined nameplate capacity of 15.9 MW. The Waltermville facility includes a canal that diverts water from the McKenzie River and one generating unit with a nameplate capacity of 8 MW. In 2000, FERC granted EWEB a new 40-year hydroelectric license for the LW Project.

Threatened Species Issues for the Carmen-Smith and Leaburg-Waltermville Hydroelectric Projects. Columbia River basin bull trout, listed in 1998 as threatened by the United States Fish and Wildlife Service ("USFWS"), inhabit the upper reaches of the McKenzie River near the Carmen-Smith Project, but travel as far down river as the LW Project. In 1999, the National Marine Fisheries Service ("NMFS") listed the Willamette spring Chinook salmon as a threatened species. These anadromous species spawn in the McKenzie River. EWEB was designated as FERC's non-federal representative for development of the Biological Assessment ("BA") as a part of the consultation on both the bull trout and spring Chinook salmon for EWEB's hydroelectric projects on the McKenzie River. The BA was completed in 2000. The formal consultation under Section 7 of the Endangered Species Act for the LW Project was completed in 2003. Project improvements were built at Leaburg-Waltermville as conditions of the 2000 FERC license for the project. License conditions included screens to keep migratory listed fish out of the power canals and turbines, upstream passage improvements, minimum instream flow requirements and habitat enhancement.

The Carmen-Smith Project is near the upper range of bull trout and spring Chinook salmon habitat and is an important spawning and rearing habitat for both species. EWEB has implemented the conservation measures from the 2003 Biological Opinion, which included habitat enhancement projects and studies. The new license is expected to contain numerous enhancements for bull trout and spring Chinook salmon. Proposed project improvements in the Settlement Agreement include upstream and downstream fish passage at Trail Bridge Reservoir, wood, and gravel placement for aquatic habitat, and increased instream flows in project bypass reaches to improve habitat for listed species. Construction of Carmen-Smith Project improvements began in 2013. EWEB will continue to cooperate

with and support federal and state resource agencies as they implement recovery related strategies for spring Chinook salmon and bull trout in the Project area.

International Paper Industrial Energy Center Cogeneration Project. EWEB and International Paper (“I.P.”) (formerly Weyerhaeuser Company) cooperatively developed and jointly operate a cogeneration facility at the I.P. Springfield plant. The unit, which has a nameplate capacity of 25.4 MW (average output is approximately 20 aMW), went online in 1976 and is owned by EWEB, with I.P. providing operation support and fuel. Under terms of the current agreement (which expires in September 2019), the project costs and output for this unit are shared equally by the parties. See “ELECTRIC SYSTEM—Electric System’s Customers.”

Stone Creek Hydroelectric Project. The Stone Creek project has one turbine with a peak capacity of 12 MW. This facility is on a tributary to the Clackamas River approximately 45 miles southeast of Portland. The project is a run-of-river development located between two hydroelectric facilities that are owned and operated by Portland General Electric (PGE). The plant was commissioned in 1993 by an independent power producer, and EWEB purchased the project in 1994. The facility is operated and maintained for EWEB by PGE, and is licensed through 2038.

Foote Creek I Wind Project. EWEB partnered with PacifiCorp to develop the Foote Creek I Wind Project, making EWEB one of the first Oregon utilities to invest in wind power. The project began commercial operation in April 1999, and was constructed along the Foote Creek Rim in Carbon County, Wyoming, which is considered to be one of the premier wind energy development sites in the United States, with an average annual wind speed of approximately 24 miles per hour. The 41.4 MW project includes 68 0.6 MW turbine-wind machines, a substation and over 28 miles of transmission lines to connect to the existing transmission system in the area. EWEB and PacifiCorp are the joint owners of the project, with EWEB having a 21.21 percent ownership, which translates to 8.8 MW of the project capacity. EWEB has sold 26 percent or 2.3 MW of its share to Bonneville under the terms of a 25-year power purchase agreement, pursuant to which Bonneville has committed to purchase 15.3 MW of the project’s total capacity. Net of sales to Bonneville, EWEB receives approximately 2.5 aMW per year from the Foote Creek I Wind Project. The facility is operated and maintained for EWEB and PacifiCorp by contract.

Smith Creek Hydroelectric Project. The Smith Creek Project is a run-of-the-river hydroelectric project on Smith Creek, a tributary of the Kootenai River in Northern Idaho. It is comprised of three units with a combined nameplate capacity of 38.3 MW. In April 2001, EWEB took ownership of the project, which is licensed through 2037. In 2015, EWEB entered into an agreement to sell the Smith Creek Project and the sale closed at the end of June 2016. EWEB used a portion of the proceeds of the sale of the Smith Creek Project, and additional funds to defease approximately \$24 million of outstanding 2012 Bonds on August 1, 2016.

Harvest Wind Project. EWEB, Public Utility District of Cowlitz County, Washington, Lakeview Light and Power, and Peninsula Light Company are the joint owners of the Harvest Wind Project, with EWEB having a 20 percent ownership share. All project assets are held by a corporation formed by the owners. The project began commercial operations in December 2009 and has 43 2.3 MW turbines with a total nameplate capacity of 98.9 MW. The project is located along the Columbia Valley Gorge on 9,500 acres of ranch land in Klickitat County, Washington. The owners hold long-term leases with four private landowners and the Department of Natural Resources under which the landowners receive revenue from the sale of 4-5 percent of the project output. Annual project generation is approximately 268,860 MWh or about 31 aMW per year, yielding a capacity factor of roughly 31 percent. EWEB and the other owners have committed to purchase power, including related environmental attributes, from the corporation in proportion to their ownership shares through December 2029. Additionally, EWEB is committed to subsidize the initial construction of transmission lines, deposit funds to ensure contract performance and purchase transmission from the owner of the transmission lines through 2029. As of December 31, 2015, EWEB has invested \$25 million in the Harvest Wind Project. EWEB received \$334,000 in income and distributions of \$1.5 million in 2015 from the project. EWEB has deposited approximately \$2 million in escrow to ensure payment of its share of contingent liabilities of the corporation and transmission expenses.

Western Generation Agency. The Western Generation Agency (“WGA”) is a special purpose entity established by EWEB and Clatskanie People’s Utility District (“CPUD”) under ORS 190. WGA owns a 26 MW cogeneration project at the Georgia Pacific mill in Wauna, Oregon (the “Wauna Cogeneration Project”). The Wauna Cogeneration Project includes a steam turbine and a fluidized bed boiler. Bonneville purchased the output of the

project under a 20 year contract that expired in April 2016. The output is now split between EWEB and CPUD through 2021.

EWEB made an equity investment totaling \$15.1 million in the WGA as partial funding of the Wauna Cogeneration Project. The agreements for the Wauna Cogeneration Project allow EWEB to be repaid its equity investment plus a cumulative preferred dividend at 7.875 percent should the operating revenues of the Wauna Cogeneration Project be sufficient to cover operating costs, debt service, plus other reserve requirements. Repayment of the equity investment is not guaranteed. In October 2006, WGA refunded its bonded debt. The refunding allowed repayment to EWEB for \$10.4 million of its original \$15.1 million investment. The bond agreements also limit distributions to EWEB and CPUD to \$400,000 per year, each, until the Series C debt is fully redeemed. EWEB received \$200,000 in 2015. In the interim, interest on the preferred dividend is accrued. As of December 31, 2015, EWEB had a preferred dividend receivable of \$2.2 million. Repayment of the remaining \$2.2 million is contingent on WGA's payment in full of its Series C 2006 debt. WGA has given notice to bondholders of its intent to retire the remaining principal balance of \$2,465,000 for the Series C 2006 Bonds on July 8, 2016. EWEB's investment in WGA consists of the balance of its original equity contribution, 50 percent of WGA's net income and losses, and distributions of excess cash. The balance of the investment at December 31, 2015 was \$2.8 million. As of June 1, 2016, WGA had \$22,820,000 of project bonds outstanding.

Contract Resources

Grant County PUD. EWEB purchases power from the Priest Rapids Hydroelectric Project composed of the Priest Rapids Development and the Wanapum Development, two large hydroelectric developments on the Columbia River in Washington owned by Public Utility District No. 2 of Grant County, Washington ("Grant County PUD"). The most recent power purchase contract with Grant County PUD continues through October 31, 2059. Under this renewed contract, EWEB's current right to physical power from Grant County PUD will be about 1.5 aMW per year.

Stateline Wind Project. In 2002, EWEB agreed to purchase 25 MW from the Stateline Wind Project located on Vansycle Ridge in the Columbia Gorge on the border between Oregon and Washington, in Walla Walla County, Washington and Umatilla County, Oregon. The project consists of 399 wind turbines with total generating capacity of about 450 MW. The contract for Stateline expires on December 31, 2026.

Klondike III Wind Project. EWEB agreed to purchase 25 MW (11.18 percent) from Phase 3 of the Klondike Wind Project located near the town of Wasco in Sherman County, Oregon. The project consists of 125 wind turbines with total generating capacity of 223.6 MW. The contract for this power expires on October 31, 2027.

Seneca Sustainable Energy. On February 25, 2010 EWEB entered into a power purchase agreement with Seneca Sustainable Energy LLC ("SSE") to purchase the output of a biomass fueled electric cogeneration facility located in Eugene, Oregon. The contract term is for 15 years commencing on the commercial date of April 5, 2011. The nameplate capacity of this project is 19.8 MW and expected average output is approximately 14 aMW.

Solar PV Purchases. EWEB has a program to support the development of Solar PV generation in Eugene through the provision of net metering rates to those customers with small systems that wish to self-generate power and standard offers for long-term power purchases at fixed rates for customers with larger systems. Program participation is limited to systems of 0.2 MW. As of December 31, 2015, EWEB has acquired power purchase agreements with total capacity slightly over 2 MW and 0.24 aMW of energy.

Trojan Nuclear Plant

EWEB, Portland General Electric Company ("PGE") and Pacific Power and Light jointly own the Trojan Nuclear Plant (the "Trojan Project"). EWEB has a 30 percent ownership share of the 1,130 MW Trojan Nuclear Power Plant (the "Trojan Project"). In 1993, Portland General Electric, which owns 67.5 percent of the Trojan Project and has primary operating responsibility under the terms of the Trojan Project Operating Agreement, presented EWEB, PacifiCorp (which owns 2.5 percent of the Trojan Project) and Bonneville with a proposal to terminate operation of the Trojan Project. That proposal was approved by the Trojan Project co-owners and Bonneville and operation was

terminated in 1993. The final plan for decommissioning of the Trojan Project was approved by the Nuclear Regulatory Commission in early 1996. Upon execution of the Net Billing Agreements in 1970, EWEB's ownership share of the Trojan Project was assigned to Bonneville. Under the terms of that assignment agreement, EWEB receives payments and credits (net billings) equal to its share of all Trojan Project costs, including decommissioning, spent fuel storage and debt service, whether or not the Trojan Project is operable or operating, and notwithstanding the suspension, interruption, interference, reduction, or curtailment of the Trojan Project output.

Since Bonneville is obligated to pay EWEB's share of all Trojan Project costs and has provided EWEB with written assurances of its commitment to that obligation, EWEB does not expect the closure and decommissioning of the Trojan Project to have any adverse effect on the Electric System. However, if one of the parties to the Trojan Project fails to perform on their obligation for decommissioning costs, the other parties may be liable. In addition, the closure and decommissioning of the Trojan Project could result in higher costs to Bonneville, which in turn could increase EWEB's costs of purchased power from Bonneville.

Integrated Electric Resource Plan

EWEB has an Integrated Electric Resource Plan that is updated periodically and primarily used to guide energy resource decisions. It established goals and objectives related to the acquisition of generation and energy conservation resources over the next twenty years. It also established a framework to allow EWEB to adaptively respond to changing energy markets and development environments. The current plan, adopted in January 2012 and annually includes the following directions: (1) pursue conservation to meet forecasted load growth and (2) develop strategies to partner with customers to reduce consumption to avoid the need for new peaking power plants. EWEB's adopted plan indicates the current supply of resources will meet its customers' energy requirements for the next 10 years.

In 2015, EWEB received a grant from the Oregon Department of Energy to launch a project to test how electricity generated by solar panels and stored in large batteries can keep vital systems operating in the event a disaster interrupts the power distribution system.

Conservation and Renewable Energy

EWEB is acquiring demand-side energy resources through efficiency improvements in customers' end use applications and the installation of decentralized renewable energy devices such as solar electric systems. Among the programs currently being offered are: increased home insulation, high-efficiency heat pumps and water heaters, efficiency improvements in heating and cooling systems, energy efficient residential and commercial new construction, high-efficiency residential and commercial lighting, efficiency improvements in commercial and institutional buildings and efficiency improvements to industrial processes.

Since 2015, EWEB's conservation programs have saved approximately 157 million kilowatt hours, which is estimated to have reduced total demand by 5.8 percent below what it would have been without the conservation programs.

Environmental Matters

EWEB is engaged in environmental compliance, investigation and remediation efforts in its ordinary course of business. In the opinion of management, the ultimate outcome of these matters will not have a material effect on EWEB's financial position beyond amounts already accrued as of December 31, 2015.

EWEB updated its Environmental Policy in March 2016, to guide the utility in compliance, environmental planning, greenhouse gas emissions reduction, waste minimization, water and energy conservation, watershed protection, natural and cultural resource protection, transportation, and employee education. EWEB is committed to environmental protection and resource conservation, as demonstrated by its waste minimization, hazardous materials product substitution, transformer reclassification, and waste oil, antifreeze, and scrap metal recycling efforts. EWEB also invests in watershed protection to safeguard Eugene's sole source of drinking water in a way that aligns with FERC compliance efforts associated with the Carmen-Smith and Leaburg-Waltermville hydroelectric generation

facilities in the McKenzie Watershed. Employees of EWEB are responsible for monitoring compliance with federal, State and local environmental laws and regulations and for the development of EWEB's environmental policies and guidelines.

Electric utilities are subject to continuing environmental regulation. Federal, State and local standards and procedures, which apply to the environmental impacts of electric utilities, are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the current laws and regulations to which EWEB and its operations are subject will not change. Further, there is no assurance that EWEB or its facilities will be able to comply in all respects with any future standards, especially those that are applied retroactively, or that such additional revised statutes, regulations or orders will not subject EWEB to substantial additional capital or other costs.

Environmental Legislation and Climate Change

Oregon Renewable Energy Act. In 2007, the State enacted Senate Bill 838, known as the Oregon Renewable Energy Act (the "Act") requiring electric utilities to comply with a Renewable Portfolio Standard starting in 2011 whereby a percentage of annual sales to customers must come from qualifying renewable resources. For a utility the size of EWEB, the Act requires that at least five percent of the electricity sold must be from qualified renewable resources by 2011, 15 percent by 2015, 20 percent by 2020, and 25 percent by 2025. There are exemptions in the Act that allow EWEB to reduce the annual compliance target if complying would cause the utility to replace its non-fossil resources with new qualifying renewable resources. Because EWEB's power portfolio is overwhelmingly made up of hydro power, EWEB does not forecast any need to acquire additional qualifying renewable resources to meet the Renewable Portfolio Standard over the next 20 years.

Climate Change. Various federal energy legislation proposals could set national standards for renewable energy generation, conservation efforts, and encourage greenhouse gas reduction. Bonneville participated in formulating rules to implement the standards.

Federal, regional, state and international initiatives have been proposed or adopted to address global climate change by controlling or monitoring greenhouse gas emissions, by encouraging renewable energy development and by implementing other measures. EWEB cannot predict whether or when new laws and regulations or proposed initiatives would take effect and, if so, how they would affect EWEB. The physical effects of climate change could affect the generation capability of Bonneville to meet the loads of its power purchasers, including EWEB. Bonneville's generating capacity is primarily hydroelectric generation and is reliant on precipitation and snow pack. Climate change could affect the amount, timing and availability of hydroelectric generation, which could result in increased costs to EWEB. To gain a better understanding of this risk, EWEB continues to support and engage in research at Oregon State University and the University of Oregon around predicting climate change impacts and developing systems that increase resiliency to these impacts. These efforts include understanding the scope, scale and applicability of micro grids that add resiliency to the system and maintain business continuity for critical services, implementing a monitoring system that is sensitive to climate change impacts, modeling basin-wide hydrology and predicting flows based on snow pack, and investing in watershed protection that aligns with partner investments for restoration and conservation actions that help mitigate impacts.

Various Factors Affecting the Electric Utility Industry

The electric utility industry in general has been, or in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. Such factors include, among others, (1) effects of compliance with changing environmental, safety, licensing, regulatory and legislative requirements, (2) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (3) changes resulting from a national energy policy, (4) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and "strategic alliances" of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity, (5) Federal laws and regulations and congressional inaction, (6) increased competition from independent power producers and marketers, brokers and federal power marketing agencies, (7) issues integrating wind generation, (8) cybersecurity and other security

breaches, (9) “self-generation” or “distributed generation” (such as microturbines and fuel cells) by industrial and commercial customers and others, (10) issues relating to the ability to issue tax-exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations, (11) increased operating and maintenance costs, (12) changes from projected future load requirements, (13) increases in costs and uncertain availability of capital, (14) shifts in the availability and relative costs of different fuels (including the low cost of natural gas), (15) increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has occurred in California and the Pacific Northwest, (16) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity, (17) other legislative changes, voter initiatives, referenda and statewide propositions, (18) effects of the changes in the economy, (19) effects of possible manipulation of the electric markets, (20) natural disasters or other physical calamities, including, but not limited to, earthquakes, lahars, wind storms, floods and droughts, (21) man-made physical and operational disasters, including, but not limited to, terrorism, cyber-attacks and collateral damage from untargeted computer viruses, and (22) changes to the climate. See “CERTAIN INVESTMENT CONSIDERATIONS—Natural Disasters.” Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility, including EWEB, and likely will affect individual utilities in different ways.

EWEB is unable to predict what impact such factors will have on its business operations and financial condition. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the Series 2016 Bonds should obtain and review such information.

GENERAL AND ECONOMIC INFORMATION

The City of Eugene, incorporated in 1862, covers 43.9 square miles in Lane County (the “County”), at the southern end of the Willamette Valley. The City is the center of government and education in the County and is the location of the University of Oregon, Lane Community College and offices of County, State and Federal government agencies. It is the third largest city in the State, with a 2015 population of 163,400 or about 45 percent of the County’s population of 362,150. Over the last 10 years, the City’s population has increased at an average annual rate of approximately 1.1 percent. The City and the neighboring city of Springfield are contiguous, sharing Interstate 5 as a boundary and forming a metropolitan area that dominates the economy of the County. Springfield is the ninth largest city in the State, with a population of 60,135. For statistical purposes, the entire County comprises the Eugene-Springfield Metropolitan Statistical Area.

Employment

Employment and unemployment data are presented for the Eugene-Springfield Metropolitan Statistical Area (“MSA”), which consists of all of Lane County.

**Labor Force by Place of Residence
Eugene-Springfield MSA (Lane County)**

Year	Civilian Labor Force	Number Unemployed	Employment
2010	178,304	19,648	158,656
2011	177,236	17,084	160,152
2012	172,226	15,268	156,958
2013	167,480	13,295	154,185
2014	169,571	11,980	157,591
2015	172,582	9,231	163,351

Notes: The National Compensation Survey defines Civilian Workers as the sum of all private industry and State and local government workers. Federal Government, military and agricultural workers are excluded. Numbers may not add due to rounding.

Source: Bureau of Labor Statistics.

Eugene-Springfield MSA
Annual Average Employment and Percent Distribution by Industry

Industry	2014		2015		Percent Change
	Annual Average	Percent of Total	Annual Average	Percent of Total	
Total Nonfarm Employment	147,800	100.00%	151,300	100.00%	2.37%
Total Private	118,800	80.38	122,400	80.9	3.03
Mining and Logging	1,000	0.68	900	0.59	(10.00)
Construction	5,700	3.86	6,000	3.97	5.26
Manufacturing	13,000	8.80	13,100	8.66	0.77
Durable Goods	8,800	5.95	8,700	5.75	(1.14)
Wood Product Manufacturing	3,400	2.30	3,300	2.18	(2.94)
Transportation Equipment Manufacturing	500	0.34	500	0.33	0.00
Nondurable Goods	4,200	2.84	4,400	2.91	4.76
Trade, Transportation and Utilities	28,700	19.42	29,600	19.56	3.14
Wholesale Trade	5,900	3.99	6,100	4.03	3.39
Retail Trade	19,300	13.06	19,900	13.15	3.11
General Merchandise and Clothing Stores	5,000	3.38	5,100	3.37	2.00
Food and Beverage Stores	4,200	2.84	4,400	2.91	4.76
Transportation, Warehousing and Utilities	3,500	2.37	3,600	2.38	2.86
Information	3,500	2.37	3,300	2.18	(5.71)
Financial Activities	7,400	5.01	7,800	5.16	5.41
Professional and Business Services	16,100	10.89	16,400	10.84	1.86
Administrative and Support Services	7,900	5.35	8,100	5.35	2.53
Educational and Health Services	23,200	15.70	24,200	15.99	4.31
Health Care and Social Assistance	24,100	14.48	22,300	14.74	4.21
Health Care	18,300	12.38	19,100	12.62	4.37
Leisure and Hospitality	15,500	10.49	16,200	10.71	4.52
Accommodation and Food Services	13,600	9.20	14,200	9.39	4.41
Food Services and Drinking Places	12,000	8.12	12,600	8.33	5.00
Other Services	4,800	3.25	5,000	3.30	4.17
Government	29,000	19.62	28,900	19.10	(0.34)
Federal Government	1,600	1.08	1,600	1.06	0.00
State Government	12,500	8.46	12,500	8.26	0.00
State Education	10,000	6.77	10,000	6.61	0.00
Local Government	14,900	10.08	14,800	9.78	(0.67)
Local Education	8,200	5.55	8,000	5.29	(2.44)

Note: Many sub-categories are not shown. Numbers may not add due to rounding.

Source: Oregon Employment Department, *QualityInfo.org*.

The annual average unemployment rates for the County and the City from 2010 through 2015 are as follows.

**Average Annual Unemployment
(As a percent of Labor Force)**

<u>Year</u>	<u>City of Eugene</u>	<u>Lane County</u>	<u>State of Oregon</u>	<u>United States</u>
2010	10.8%	11.0%	10.6%	9.6%
2011	9.6	9.6	9.5	8.9
2012	9.1	8.9	8.8	8.1
2013	8.2	7.9	7.9	7.4
2014	6.7	7.1	6.8	6.2
2015	6.5	6.0	5.7	5.3

Note: These are not seasonally adjusted numbers

Source: Bureau of Labor Statistics & Oregon Employment Department, *QualityInfo.org*. and City of Eugene Comprehensive Annual Financial Report 2015.

Housing

The National Association of Realtors data indicate the median sales price of existing single family homes in the Eugene-Springfield MSA climbed to \$200,900 in 2014. This was a 12.7 percent increase over the median sales price of \$178,200 reported in 2013 and a 12.4 percent increase over the 2012 median sales price of \$178,700. Preliminary data for the third quarter of 2015 indicates a median sales price of \$226,200.

Construction Activity

Building permits and valuation for new construction and additions/alterations in the City from 2010 through 2015 are shown in the following table.

**Building Permits and Valuation
City of Eugene**

<u>Year</u>	<u>New Buildings</u>				<u>Additions/Alterations</u>			
	<u>Residential</u>		<u>Non-Residential</u>		<u>Residential</u>		<u>Non-Residential</u>	
	<u>Number of Permits</u>	<u>Value (\$000,000)</u>	<u>Number of Permits</u>	<u>Value (\$000,000)</u>	<u>Number of Permits</u>	<u>Value (\$000,000)</u>	<u>Number of Permits</u>	<u>Value (\$000,000)</u>
2010	173	\$ 47.3	29	\$32.7	574	\$12.8	593	\$57.2
2011	136	48.2	38	93.1	551	12.4	653	55.8
2012	181	74.1	31	28.7	619	12.0	672	48.5
2013	209	84.1	47	73.0	606	12.7	626	94.4
2014	294	217.6	48	51.5	566	12.4	664	65.9
2015	292	94.4	39	37.4	617	12.0	642	98.7

Note: Excludes mobile homes; public buildings are included under non-residential.

Source: City of Eugene, Planning and Development Department, March 23, 2016.

The University of Oregon

The University of Oregon (the “University”), founded in 1876, is located on a 295-acre campus in Eugene. Enrollment at this State liberal arts university is approximately 23,400 students. The University employs approximately 1,900 faculty, 1,300 graduate assistants and 2,700 administrative and classified staff (not including temporary and student workers). The University is a major public research institution, whose programs rank consistently in the top 25 percent of such public institutions, with many programs ranking in the top 10 percent. It is

composed of a College of Arts and Sciences and six professional schools: education, business, law, music, architecture, and journalism.

Healthcare

The City's largest employer and medical services provider is PeaceHealth Medical Group. PeaceHealth operates the 338 bed RiverBend Regional Medical Center in Springfield's Gateway area, as well as the 104 bed Sacred Heart Medical Center – University District in the City. The RiverBend facility is the largest hospital between the cities of Portland and San Francisco and the only Level II trauma center in the County.

Additional Economic and Demographic Tables

The following tables present data for the Eugene-Springfield Metropolitan Statistical Area, and for the City when available. The tables provide additional information about the economic and demographic nature of the City.

Population Estimates

Year	City of Eugene	Percent Change	Lane County	Percent Change	State of Oregon	Percent Change
2010	156,295	--	352,010	--	3,837,300	--
2011	157,010	0.5%	353,155	0.3%	3,857,625	0.5%
2012	158,335	0.8	354,200	0.3	3,883,735	0.7
2013	159,580	0.8	356,125	0.5	3,919,020	0.9
2014	160,775	0.7	358,805	0.8	3,962,710	1.1
2015	163,400	1.6	362,150	0.9	4,013,845	1.3

Source: Population Research Center at Portland State University.

Personal Income

Year	Personal Income (\$000)	Per Capita Personal Income		
	Lane County	Lane County	State of Oregon	United States
2010	\$11,547,065	\$32,818	\$35,791	\$40,277
2011	12,047,023	34,080	37,512	42,453
2012	12,545,269	35,391	39,083	44,266
2013	12,724,475	35,777	39,426	44,438
2014 ⁽¹⁾	13,392,647	37,374	41,220	46,049

(1) Latest data available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Top Ten Employers in the City of Eugene (as of November 17, 2015)

Employer	Employees	Percentage of Total Employment
PeaceHealth Medical Group	5,500	3.45%
University of Oregon	5,406	3.39
U.S. Government	1,575	0.99
City of Eugene	1,369	0.86
Springfield School District	1,283	0.80
Lane County	1,279	0.80
State of Oregon	1,229	0.77
Eugene School District 4J	1,163	0.73
Lane Community College	1,009	0.63
McKenzie-Willamette Medical Center	895	0.56
Total	20,708	12.98%

Source: City of Eugene 2015 Comprehensive Annual Financial Report.

CERTAIN INVESTMENT CONSIDERATIONS

Initiatives and Referendum

The Oregon Constitution, Article IV, Sec. 1, reserves to the people of the State (1) the initiative power to amend the State constitution or to enact State legislation by placing measures on the statewide general election ballot for consideration by voters and (2) the referendum power to approve or reject at an election any act passed by the Legislative Assembly that does not become effective earlier than 90 days after the end of the legislative session. The Legislative Assembly may also refer an act to the voters for approval or rejection.

State law permits any person to file a proposed initiative with the Secretary of State's office without payment of fees or other burdensome requirements. Although a large number of initiative measures are submitted to the Secretary of State's office, a much smaller number of petitions contain sufficient signatures to be placed on the ballot.

Proposed Initiative Measures that Qualify to be Placed on the Ballot

To place a proposed initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2016 general election, the requirement is eight percent (117,578 signatures) for a constitutional amendment measure and six percent (88,184 signatures) for a statutory initiative. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

The initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition.

Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure's financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact. Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are provided in the following table.

Historical Initiative Measures – General Elections

<u>Year of General Election</u>	<u>Number of Initiatives that Qualified</u>	<u>Number of Initiatives that Passed</u>
2002	7	3
2004	6	2
2006	10	3
2008	8	0
2010	4	2
2012	7	2
2014	4	2

NOTE: The Secretary of State posts a listing of initiatives on its website (www.sos.state.or.us).

Source: Elections Division, Oregon Secretary of State.

Future Initiative Measures

The filing deadline for placement on the November 8, 2016 ballot was July 8, 2016. The Secretary of State's office has until August 7, 2016, to determine which initiatives, if any, have sufficient numbers of valid signatures to qualify. Some measures, if qualified for the ballot and approved by the voters, may have a financial impact on the

state, which may have financial implications for EWEB. The likelihood of qualification, voter approval or the amount of fiscal impact, if any, is currently unknown.

The Oregon Secretary of State's office maintains a website (www.sos.state.or.us) which lists all initiative petitions which have been submitted.

Referendum Petitions and Legislative Referrals

Within 90 days after the end of a legislative session, any person may file a petition seeking to have any act passed by the Legislative Assembly that does not become effective earlier than 90 days after the end of the legislative session referred to the voters for their approval or rejection at the next general election, or at a special election provided for by the Legislative Assembly. To place a proposed referendum on the ballot, the proponents must submit to the Secretary of State within 90 days after the end of the legislative session referendum petitions signed by the number of qualified voters equal to four percent of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2014 general election, that requirement was 58,789 signatures. Any elector may sign a referendum petition for any measure on which the elector is entitled to vote. An act approved by the voters through the referendum process becomes effective 30 days after the date of the election at which it was approved. A referendum on part of an act does not prevent the remainder of the act from becoming effective as provided in the act.

City Charter

In addition to statutory and constitutional changes by the Legislative Assembly and the initiative and referendum process, the independent basis of legislative authority has been granted to cities in Oregon by municipal charters. A copy of the City Charter is available on the City's website.

Protection of Rate Covenants

The obligation to comply with rate covenants despite subsequently approved conflicting initiative petitions has been tested in the courts and is also the subject of recent legislation. In *AMBAC Indemnity Corporation v. City of Oregon City*, Civil No. 96-865-JO, the United States District Court in Portland, Oregon considered a case in which Oregon City voters approved a ballot measure in 1996 that rolled back electric rates to those that had been in effect in 1994 and prohibited future rate increases without voter approval. Plaintiffs alleged that the measure violated existing rate covenants with respect to outstanding electric revenue bonds, and the District Court agreed. The court ruled, with respect to holders of outstanding bonds, that the rollback of rates and prohibition on rate increases substantially impaired the contractual relationship between Oregon City and its bondholders. The court based its finding on testimony that alternative revenue sources were not sufficient, and that the city would be unable to make debt service payments if it could not raise rates. The measure was therefore a substantial impairment of an existing contract.

In addition to the above ruling, the Oregon Legislative Assembly approved House Bill 2181, a statutory amendment which, among other things, provides additional protection for revenue pledges securing bonds or other obligations. House Bill 2181 was signed by the Governor of the State of Oregon on May 25, 1997. In relevant part, House Bill 2181 amended Oregon Revised Statutes 288.594 (now ORS 287A.325) and provides that any initiative or referendum measure which changes statutory or charter provisions affecting rates, fees, tolls, rental or other charges will not be given effect if to do so would impair existing covenants regarding the imposition, levy or collection of such rates, fees, tolls, rentals or other charges pledged to secure outstanding bonds or other obligations.

Limitations on Remedies

Any remedies available to the owners of the Series 2016 Bonds upon the occurrence of an event of default under the Resolution are in many respects dependent upon judicial actions which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If EWEB fails to comply with its covenants under the Resolution or to pay principal of or interest on the Series 2016 Bonds, there can be no assurance that available

remedies will be adequate to fully protect the interests of the owners of the Series 2016 Bonds. See Appendix A—“SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION—Events of Default; Remedies.”

In addition to the limitations on remedies contained in State law, the rights and obligations under the Series 2016 Bonds and the Resolution may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors’ rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases.

The legal opinion of Bond Counsel regarding the validity of the Series 2016 Bonds will be qualified by reference to bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium and other similar laws affecting the rights of creditors generally, and by general principles of equity.

Bankruptcy

A municipality such as EWEB must be specifically authorized under state law in order to seek relief under Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”). A creditor cannot bring an involuntary bankruptcy proceeding against a municipality, including EWEB. Under Chapter 9, a federal bankruptcy court may not appoint a receiver for a municipality or order the dissolution or liquidation of the municipality. The federal bankruptcy courts have some discretionary powers under the Bankruptcy Code. Under current Oregon law, cities in Oregon are not authorized to seek bankruptcy relief. Should the law change and EWEB files for bankruptcy, there could be adverse effects on the holders of the outstanding Bonds, the Series 2016 Bonds and any Additional Bonds.

Under the Bankruptcy Code, if EWEB became a debtor in a federal bankruptcy proceeding, the owners of the outstanding Bonds, the Series 2016 Bonds and any Additional Bonds would continue to have a statutory lien on Gross Revenue after the commencement of the bankruptcy case so long as the Gross Revenues constitute “special revenues” within the meaning of the Bankruptcy Code. “Special revenues” are defined under the Bankruptcy Code to include, among other things, receipts by local governments from the ownership, operation or disposition of projects or systems that are primarily used to provide utility services. The Bankruptcy Code provides that “special revenues” can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. It is not clear which expenses would constitute necessary operating expenses.

If EWEB is in bankruptcy, parties (including the Bond Fund Trustee and the holders of the Series 2016 Bonds) may be prohibited from taking any action to collect any amount from EWEB or to enforce any obligation of EWEB, unless the permission of the bankruptcy court is obtained.

Seismic and Other Natural Disasters

EWEB’s facilities are in an area of seismic activity, with frequent small earthquakes and occasional moderate and larger earthquakes. EWEB can give no assurance regarding the effect of an earthquake, a volcano, mudslide, windstorm, drought, or other natural disaster or that proceeds of insurance carried by EWEB would be sufficient, if available, to rebuild and reopen EWEB’s facilities or that EWEB’s facilities or surrounding facilities and infrastructure could or would be rebuilt and reopened in a timely manner following a major earthquake or other natural disaster.

TAX MATTERS

Series 2016A Bonds – Tax-Exempt

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2016A Bonds for interest thereon to be and remain excluded from gross income under Section 103 of the Code for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2016A Bonds to be included in gross income under Section 103 of the Code for federal income tax purposes retroactive to the date of issue of the Series 2016A Bonds irrespective of the date on which such noncompliance occurs or is discovered. These requirements include, but are not limited to, limitations on the use and expenditure of gross proceeds of the Series 2016A Bonds, limitations on the

investment of gross proceeds of the Series 2016A Bonds and a requirement that excess arbitrage earned on the investment of gross proceeds of the Series 2016A Bonds be rebated on a periodic basis to the federal government under certain circumstances. EWEB has covenanted to comply with applicable tax requirements of the Code.

In the opinion of Mersereau Shannon LLP, Bond Counsel to EWEB, under existing law and assuming continuing compliance by EWEB with certain tax covenants, interest on the Series 2016A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

In the further opinion of Bond Counsel to EWEB, under existing law, interest on the Series 2016A Bonds is exempt from present personal income tax imposed by the State of Oregon.

Bond Counsel expresses no opinion on any other federal, state or local tax consequences arising with respect to ownership of the Series 2016A Bonds. Bond Counsel renders its opinion under existing law as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may occur or for any other reason. Bond Counsel has not undertaken to advise in the future whether any events after the date of execution and delivery of the Series 2016A Bonds may affect the tax status of the Series 2016A Bonds. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by EWEB in connection with the Series 2016A Bonds, and Bond Counsel has assumed compliance by EWEB with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2016A Bonds from gross income under Section 103 of the Code.

Although Bond Counsel has rendered an opinion that the interest on the Series 2016A Bonds is excluded from gross income for federal income tax purposes, prospective purchasers of the Series 2016A Bonds should be aware that ownership of the Series 2016A Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, property and casualty insurance companies, corporations (including S corporations and foreign corporations), recipients of Social Security and Railroad Retirement benefits, individuals otherwise eligible for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Prospective purchasers of the Series 2016A Bonds should consult their tax advisors with respect to all such possible collateral consequences and as to the treatment of interest on the Series 2016A Bonds under the tax laws of any state other than Oregon.

Future and Proposed Federal Legislation. Current and future legislative proposals, if enacted into law, clarification of the code or court decisions may cause interest on the Series 2016A Bonds to be subject, directly or indirectly, to federal income taxation, alter or amend the current federal and state tax status of the Series 2016A Bonds, adversely affect the marketability or market value of the Series 2016A Bonds or otherwise prevent Owners from realizing the full current benefit of the tax status of the interest on the Series 2016A Bonds. The introduction or enactment of any legislative proposals, clarification of the code or court decisions may also affect the market price for or marketability of the Series 2016A Bonds. It cannot be predicted whether any regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2016A Bonds would be impacted thereby. Prospective purchasers of the Series 2016A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Series 2016B Bonds – Federally Taxable

In the opinion of Bond Counsel, interest on the Series 2016B Bonds is not excludable from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended. Ownership of the Series 2016B Bonds may result in other federal income tax consequences to certain taxpayers and Bond Counsel expresses no opinion regarding any such consequences arising with respect to the Series 2016B Bonds.

In the further opinion of Bond Counsel, interest on the Series 2016B Bonds is exempt from present personal income taxation by the State of Oregon. Ownership of the Series 2016B Bonds may result in other state and local tax consequences to certain taxpayers, and Bond Counsel expresses no opinion regarding any such consequences arising with respect to the Series 2016B Bonds.

Prospective investors purchasing the Series 2016B Bonds should consult their own tax advisors as to any federal, state or local tax consequences to them from the purchase, ownership and disposition of the Series 2016B Bonds.

UNDERWRITING AND LEGAL INFORMATION

Rating

As noted on the cover page of this Official Statement, Moody's Investors Service Inc., S&P Global Ratings and Fitch Ratings have assigned ratings on the Series 2016 Bonds of ____, ___ and ____, respectively. EWEB furnished certain information and materials to the rating agencies regarding the Series 2016 Bonds, the City and EWEB. Generally, rating agencies base their ratings on the information and materials furnished to them and on their own investigations, studies and assumptions. Such ratings will reflect only the respective views of such rating agencies and are not a recommendation to buy, sell or hold the Series 2016 Bonds. An explanation of the significance of such ratings may be obtained from any of the rating agencies furnishing the same.

There is no assurance that such ratings will be maintained for any given period of time or that they may not be raised, lowered, suspended, or withdrawn entirely by the rating agencies, or any of them, if in their or its judgment, circumstances warrant. Any such downward change in or suspension or withdrawal of such ratings may have an adverse effect on the market price of the Series 2016 Bonds. The City and EWEB undertake no responsibility to oppose any such change or withdrawal.

Litigation

There is no litigation or other proceedings pending, or to the knowledge of EWEB, threatened, questioning the existence of EWEB, or the title of the officers of EWEB to their respective offices, or restraining or enjoining the issuance, sale or delivery of the Series 2016 Bonds or in any way questioning or affecting the validity of any provision of the Series 2016 Bonds, the Resolution, or the power and authority of EWEB to issue the Series 2016 Bonds or to fix rates and collect charges for power furnished by EWEB.

EWEB is involved in various litigation relating to its operations in its normal course of business. In the opinion of management, the ultimate outcome of these claims will not have a material effect on EWEB's financial position beyond amounts already accrued as of December 31, 2015.

Approval of Counsel

Mersereau Shannon LLP, Bond Counsel, will render an opinion with respect to the validity of the Series 2016 Bonds. The form of the approving opinion Bond Counsel proposes to render is appended hereto as Appendix C.

Underwriting

The Series 2016A Bonds are being purchased by RBC Capital Markets, LLC (the "Underwriter") at a price of \$_____ (representing the par amount of the Series 2016A Bonds plus an original issue premium of \$_____, less an underwriter's discount of \$_____). The Series 2016B Bonds are being purchased by the Underwriter at a price of \$_____ (representing the par amount of the Series 2016B Bonds plus an original issue premium of \$_____, less an underwriter's discount of \$_____). The Bond Purchase Agreement between EWEB and the Underwriter provides that the Underwriter will purchase all of the Series 2016 Bonds if any are purchased and that the purchasers of the Series 2016 Bonds are subject to the conditions set forth in that Bond Purchase Agreement.

The Underwriter may offer and sell the Series 2016 Bonds to certain dealers or unit investment trusts and money market or other funds and others at lower prices than the initial offering prices corresponding to the yields set forth on the inside cover page of this Official Statement, and such initial offering prices may be changed from time to time by the Underwriter without notice.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of EWEB. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of EWEB.

Financial Advisor

Piper Jaffray & Co. has served as financial advisor to EWEB relative to the preparation of the Series 2016 Bonds for sale and other matters relating to the Series 2016 Bonds. The financial advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement or other information relative to the Series 2016 Bonds. The financial advisor makes no guaranty, warranty or other representation on any matter related to the information contained in this Official Statement. A portion of the financial advisor's compensation is not contingent upon the successful delivery of the Series 2016 Bonds.

Conflicts of Interest

All or a portion of the fees of the Underwriter, Underwriter's Counsel, Financial Advisor and Bond Counsel are contingent upon the issuance and sale of the Series 2016 Bonds. From time to time, Bond Counsel serves as counsel to the Financial Advisor in transactions unrelated to the issuance and sale of the Series 2016 Bonds. From time to time, Underwriter's Counsel serves as counsel to the Financial Advisor in matters unrelated to the issuance and sale of the Series 2016 Bonds. None of the Commissioners or other officers of EWEB have any conflict of interest in the issuance of the Series 2016 Bonds that is prohibited by applicable law.

CONTINUING DISCLOSURE

Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule") requires annual disclosure of current financial information and timely disclosure of certain events with respect to the Series 2016 Bonds. Pursuant to the Rule, EWEB has agreed to provide the Municipal Securities Rulemaking Board (the "MSRB") audited financial information of EWEB and certain financial information or operating data. In addition, EWEB has agreed to provide the MSRB notice of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule. A copy of EWEB's Continuing Disclosure Certificate is attached hereto as Appendix D.

EWEB's continuing disclosure obligations and compliance procedures are separate from those of the City and are solely the responsibility of and under the control of EWEB. EWEB makes no representation as to the City's compliance with continuing disclosure obligations of the City.

Prior Compliance with Continuing Disclosure Undertakings [To be reviewed by Mersereau Shannon, Foster Pepper and Piper Jaffray]

The City and EWEB have previously entered into continuing disclosure undertakings under Rule 15c2-12. [*add information on compliance for past 5 years*]

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact. No representation is made that any of such estimates will be realized. The descriptions contained in this Official Statement of the Series 2016 Bonds, the Resolution, and legislation do not purport to be complete and are qualified in their entirety by reference to the respective documents and laws. Copies of the Resolution are available prior to the sale of the Series 2016 Bonds at the offices of the City or EWEB.

At the time of delivery of the Series 2016 Bonds, one or more officials of EWEB will furnish a certificate stating that to the best of his, her or their knowledge this Official Statement, as of its date and as of the date of delivery of the Series 2016 Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement have been duly authorized by EWEB on behalf of the City.

Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of any of the Series 2016 Bonds.

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE CURRENT MASTER RESOLUTION AND THE AMENDED AND RESTATED MASTER RESOLUTION

[Or do we need a full version of the Amended and Restated Master Resolution?]

On August 2, 2016, the Board of Commissioners of EWEB adopted an Amended and Restated Electric System Bond Resolution (the “Amended and Restated Bond Resolution”), to amend the Master Resolution of EWEB, adopted June 16, 1986, (the “Master Resolution”) as supplemented to date, pursuant to which the Bonds are issued. The Amended and Restated Bond Resolution makes substantial changes to the Master Resolution including, but not limited to, definitions, covenants, the requirement that a Trustee hold the Bond Fund and the Reserve Account, the Reserve Account Requirement, additional Bonds test, defaults and remedies. The Amended and Restated Bond Resolution will go into effect upon the consent of the holders of not less than a majority of the Bonds[, which is expected to be in 2017], at which time it will apply to the Series 2016 Bonds. The holders of the Series 2016 Bonds have been deemed to consent to the Amended and Restated Bond Resolution.

This is a summary of certain provisions of the Master Resolution and the Amended and Restated Master Resolution. The Original Electric System Revenue Bonds and the Trojan Bonds referenced herein are no longer outstanding.

CURRENT MASTER RESOLUTION

Certain Definitions. The following are definitions in summary form of certain terms contained in the Master Resolution and used herein:

“Additional Generating Facilities” means any additional facilities for the generation of electric power and energy referred to in Section 7.2 of the Trojan Resolution, including related transformation and transmission facilities.

“Additional Security” means a letter of credit, line of credit, insurance policy, standby purchase agreement or similar obligation or instrument or any combination of the foregoing.

“Authorized Officer” when used with reference to the Board means the President, any Vice President, the Secretary, the Treasurer or the Assistant Treasurer thereof or other officer designated by resolution of the Board.

“Bond Fund” means the Bond Fund created in the Resolution and to be held and administered by the Bond Fund Trustee.

“Bond Fund Trustee” means the Trustee appointed pursuant to the Resolution, its successor or successors and any other corporations which may at any time be substituted in its place pursuant to the Resolution.

“Capital Appreciation Bonds” means Bonds issued pursuant to the Resolution.

“Certified Interest Rate” means the rate of interest as certified pursuant to the Resolution which would have been borne by Variable Rate Bonds had such Variable Rate Bonds been issued at a fixed interest rate.

“Compound Accreted Value” means an amount determined in accordance with the Resolution.

“Compounded Amount” means as of any date of computation, the principal amount of any Capital Appreciation Bond plus the interest accrued on such Bond compounded on the interest payment dates and at the rate provided in the applicable Supplemental Resolution to such date of computation, if an interest payment date, or otherwise to the next preceding interest payment date.

“Construction Fund” means any Construction Fund created pursuant to the Resolution.

“Construction Fund Trustee” means a construction fund trustee appointed pursuant to the Resolution, its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

“Consulting Engineer” means the engineer or engineering firm or corporation retained by or on behalf of the Board pursuant to the Resolution to perform the acts and carry out the duties provided for such Consulting Engineer in the Resolution.

“Cost of Acquisition and Construction” means all costs of determining the feasibility of, and acquiring, constructing, financing, carrying out and placing in operation, a Project hereafter paid or incurred by the Board, and shall include, but shall not be limited to, money required for:

- (i) working capital and reserves in such amounts as may be deemed necessary by the Board;
- (ii) interest accruing in whole or in part on Bonds prior to the Date of Commercial Operation of the Project and for such additional period thereafter (not to extend beyond thirty-six months after such Date of Commercial Operation estimated at the time such Bonds are issued), but in each case only if, and to such extent as, the Board may reasonably determine;
- (iii) acquisition of Fuel;
- (iv) deposits from the proceeds of Bonds in any fund or account established pursuant to the Resolution to meet reserve requirements for Bonds;
- (v) deposits from the proceeds of Bonds in any funds or accounts established pursuant to the Resolution as reserves for renewals, repairs, replacements, modifications, betterments, additions and contingencies; and for decommissioning or termination of a Project or as a general reserve;
- (vi) all federal, state and local taxes and payments in lieu of taxes legally required to be paid in connection with the acquisition and construction of a Project;
- (vii) all costs relating to injury and damage claims arising out of the acquisition and construction of a Project;
- (viii) costs associated with the acquisition of electric power supply or transmission capability under arrangements whereby the Board purchases rights to receive, or leases or otherwise acquires rights to facilities to enable it to receive, an electric power supply or transmission capability; and
- (ix) preliminary survey, investigation and development costs, engineering fees, contractors' fees, costs of permits, licenses and approvals, labor, materials, equipment, lands, rights-of-way, franchises, easements and other interests in land, utility services and supplies, payments to other public agencies, training and testing costs, insurance premiums, principal of and interest on notes issued in anticipation of Bonds, fees and expenses of trustees and paying agents, legal and financing costs, administrative and general costs, and all other costs incurred by the Board and properly allocable to the acquisition and construction of a Project and carrying out and placing the same in operation.

“Date of Commercial Operation” and words of like import when used with reference to any Project mean the date upon which the Project is first ready for normal continuous operation as determined by the Consulting Engineer in the case of any Project solely owned by the Board or as determined pursuant to an Ownership Agreement applicable thereto in the case of any Project jointly owned; provided, however, that in the event a Project consists of more than one unit, system or facility for the generation, transmission or transformation of electric power and energy, the Date of Commercial Operation of the Project shall (except as otherwise herein expressly provided) be deemed to be the latest Date of Commercial Operation of any such unit, system or facility.

“Debt Service” means, as of any particular date of computation, with respect to any Bonds and with respect to any period, the aggregate of the amounts to be paid or set aside in such period for the payment (or retirement) of the principal of, premium, if any, and interest (to the extent not capitalized) on such Bonds.

“Distribution Division” means the electric utility properties, assets and rights, real and personal, tangible and intangible, now owned by the Board, and all properties and assets constructed or acquired as renewals, replacements, additions, improvements and betterments to and extensions of such properties and assets, including facilities for the generation, transmission and distribution of electric power and energy and the production, transmission and distribution of steam, but shall not include the City's ownership share of the Trojan Project or any Additional Generating Facilities that may be hereafter acquired or constructed by the Board pursuant to Section 7.2 of the Trojan Resolution, or any electric utility properties, assets and rights, real and personal, tangible and intangible, hereafter constructed or acquired by the Board as a separate utility system, the revenues of which may be pledged to the payment of bonds issued to purchase, construct or otherwise acquire any such separate utility system.

“Distribution Division General Fund” means the Distribution Division General Fund created in Section 7.3 of the Trojan Resolution to be held and administered by the Board.

“Electric Power Facility” means a system or facility for the generation, transmission, transformation or distribution (or any combination of the foregoing) of electric power and energy which may include, but shall not be limited to, participation in a hydroelectric project, geothermal facilities, solar projects including individual solar units, a solid waste disposal plant, and cogeneration facilities.

“Electric System” means the electric utility properties and assets, real and personal, tangible and intangible, now owned by the Board and all properties and assets constructed or acquired as renewals, replacements, additions, improvements and betterments to and extensions of such properties and assets, including the Distribution Division, the City's ownership share of the Trojan Project, any Additional Generating Facilities that may be hereafter acquired and constructed by the Board pursuant to the provisions of Section 7.2 of the Trojan Resolution, and any electric utility properties including facilities for the production and transmission of steam hereafter constructed or acquired by the Board as a separate utility system, the revenues of which may be pledged to the payment of bonds issued to purchase, construct or otherwise acquire any such separate utility system.

“Financing Contract” means any Take or Pay Contract of the Board with any person which, at the time of entering into such Contract, is to be used or pledged by such person as all or part of the primary security for the repayment, in whole or in part, of bonds, certificates, warrants or other evidence of indebtedness issued or to be issued either directly or indirectly by such person.

“Fiscal Year” means the twelve-month period established by the Board or provided by law from time to time as its fiscal year, and which, as of the date of adoption of the Resolution, is the twelve-month period commencing on January 1 of any year and ending on December 31 of such year.

“Fuel” means any fossil, nuclear or other fuel, fuel facilities, assemblies and components, any mine or pipeline, and rights relating thereto, including any land, rights-of-way, leases and options therefor, restoration of lands in connection therewith and material and equipment therefor, together with all associated and related property and property rights incident to the acquisition, production, manufacture, transportation, storage, fabrication, processing, reprocessing and disposal of the fossil, nuclear or other fuel used or usable in connection with the acquisition, construction, maintenance and operation of the Electric System or any part thereof, and working capital and reserves therefor.

“Investment Securities” means any of the following, if and to the extent that the same are legal for the investment of funds of the Board:

(1) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(2) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Bank for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association; Federal Financing Bank; Farmers Home Administration;

Federal Home Loan Mortgage Association or any agency or instrumentality of the United States of America or any other corporation wholly owned by the United States of America;

(3) Public Housing Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America or any agency thereof;

(4) direct and general obligations, to the payment of the principal and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount; and (b) at the time of their purchase under the Resolution, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies;

(5) bank time deposits evidenced by certificates of deposit and bankers' acceptances issued by any bank or trust company (which may include the Bond Fund Trustee or any Construction Fund Trustee) which is a member of the Federal Deposit Insurance Corporation, provided that such time deposits and bankers' acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the total of the capital and surplus of such bank or trust company; or (b) are secured by obligations described in items (1), (2), or (3) of this definition of Investment Securities, which such obligations at all times have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(6) repurchase agreements with any bank or trust company (which may include the Bond Fund Trustee or any Construction Fund Trustee) which is a member of the Federal Deposit Insurance Corporation, which such agreements are secured by securities which are obligations described in items (i), (ii), or (iii) of this definition of Investment Securities;

(7) obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the United States or any state thereof, provided that such investments shall be rated in the two highest rating categories established by at least two nationally recognized bond rating agencies;

(8) certificates or other instruments that evidence ownership of the right to payments of principal of or interest on obligations of any state of the United States of America or any political subdivision, provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for the Bond Fund Trustee under Section 7.1 of the Resolution, and provided further that the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation; and

(9) such other investments as are permitted under the laws of the State of Oregon.

"Net Revenues" of the Electric System, the Trojan Project, the Distribution Division, any Additional Generating Facilities or any other facilities operated as a separate electric utility of the Board, as the case may be, mean, with respect to any period the Revenues thereof during such period less the Operating Expenses thereof during such period.

"Operating Expenses" of the Electric System, the Trojan Project, any Additional Generating Facilities, the Distribution Division or any other separate electric utility of the Board, as the case may be, mean the costs and

expenses of operating and maintaining the Electric System, including, without limiting the generality of the foregoing, (i) all expenses includable in the operation and maintenance expense accounts relating to the Electric System according to generally accepted accounting principles, exclusive of depreciation and amortization of property (including Fuel) values or losses, and (ii) to the extent not included in the preceding clause (i) or paid from Bond proceeds or otherwise, the Board's share of the costs and expenses of operating and maintaining any electric plants and properties jointly owned with others.

“Operating Fund” means the Operation and Maintenance Fund created in Section 4.3 of the Original Resolution and to be held and administered by the Board.

“Original Electric System Revenue Bonds” means the Outstanding Electric Utility System Revenue Bonds, Series A, C, D and E issued pursuant to the Original Resolution.

“Original Issue Discount Bonds” means Bonds of a Series which are originally reoffered to the public at a price (excluding accrued interest) of less than 98% of their principal amount.

“Original Resolution” means the resolution adopted by the Board on July 19, 1960, entitled “Resolution Authorizing the Issuance of Twenty-Five Million Five Hundred Thousand Dollars (\$25,500,000.00) Municipal Electric Utility System Revenue Bonds of the City of Eugene, Oregon, For the Purpose of Adding to, Enlarging, Improving and Extending the Electric Utility System of Said City; Providing For the Payment of the Principal and Interest of Said Bonds and Repealing All Resolutions or Parts of Resolutions in Conflict With This Resolution” and the Supplemental Resolutions heretofore adopted by the Board on July 16, 1962, June 13, 1966, May 13, 1968, and November 6, 1975, respectively, as amended.

“Ownership Agreement” means an agreement entered into by and among the Board and any other person or persons, as the same may be amended from time to time, which specifies ownership percentages in any Electric Power Facility and arrangements for the planning, design, financing, acquisition, construction, installation, operation and maintenance thereof and provisions as to the respective rights and obligations of the parties thereto.

“Paying Agent” means as to Bonds of any particular Series, the bank or trust company designated for the payment of the principal of, premium, if any, and interest on the Bonds of such Series in the Supplemental Resolution providing for the issuance of such Series of Bonds.

“Power Revenue Fund” means the Power Revenue Fund created in Section 4.2 of the Original Resolution and to be held and administered by the Board.

“Project” means: (i) the Electric Power Facility to be constructed by the Board of an existing Electric Power Facility to be otherwise acquired by the Board; (ii) any Electric Power Facility added to an existing Electric Power Facility of the Board; (iii) where the Board will acquire a proportionate interest in an electric power facility to be constructed or otherwise acquired pursuant to an Ownership Agreement, the interest of the Board in such facility; (iv) where the Board will receive an electric power supply or transmission capacity by making a prepayment of costs associated with such power supply or transmission capacity, the rights of the Board to such electric power supply or transmission capacity; (v) any mine, well, pipeline, plant, structure or other facility for the development, production, manufacture, transportation, storage, fabrication or processing of Fuel or any facility or rights with respect to the supply of water, in each case for substantial use in any of the Board's Electric Power Facilities, or, where the Board will acquire a proportionate interest in any of the foregoing to be constructed or otherwise acquired pursuant to an Ownership Agreement, the interest of the Board herein; (vi) any renewals, replacements, repair, modifications, additions, betterments, improvements and extensions for any of the foregoing, and any decommissioning or termination of the foregoing; (vii) the Board's purchase of an electric power supply pursuant to Take or Pay Contracts; (viii) participation in a joint action agency; (ix) any commercial, residential or industrial energy conservation projects undertaken by the Board; or (x) any combination of the items set forth in the foregoing clauses (i) through (ix); together, in each such case, with all rights, interests and facilities of every kind related or incidental thereto or necessary or desirable to carry out such Project; provided, however, that at such time as the Original Electric System Revenue Bonds are no longer Outstanding, "Project" shall not mean any Electric Power Facility or interest therein or the electric power and energy or the capacity and output thereof which the Board has elected to acquire, construct and operate as a separate utility system, the acquisition and construction of which has been

financed by bonds, notes, certificates, warrants or other evidences of indebtedness payable solely from the revenues or other income derived from the ownership or operation of such separate utility system, provided that the Consulting Engineer has certified that, in his opinion, the acquisition or construction or operation of such separate utility system will not result in a reduction of the Net Revenue below the amounts covenanted by Section 8.2 of the Resolution to be produced.

“Record Date” means with respect to any Series of Bonds the 15th day (whether or not a business day) of the calendar month immediately preceding an interest payment date or such other day as may be provided in the Supplemental Resolution authorizing the issuance of such Series.

“Renewal and Replacement Fund” means the Renewal and Replacement Fund created in the Resolution and to be held and administered by the Board.

“Reserve Account Requirement” means, as of any date of calculation, an amount equal to the average of the annual installments of Debt Service with respect to all Bonds outstanding for the then current and all future Fiscal Years.

“Revenues” of the Electric System, the Trojan Project, any Additional Generating Facilities, the Distribution Division or any other facility operated as a separate electric utility of the Board, as the case may be, means and includes all income, fees, charges, receipts, profits and other moneys derived by the Board from its ownership or operation of the Electric System, including, without limiting the generality of the foregoing, (i) all income, fees, charges, receipts, profits, and other moneys derived from the sale, furnishing or supplying of the services, facilities, commodities and electric power and energy of the Electric System; and (ii) all income from investments of moneys held under the Resolution other than investment income retained in or transferred to any Construction Fund. "Revenues" shall not include deposits subject to refund until such deposits have become the property of the Board at such time as the Original Electric System Revenue Bonds are no longer Outstanding any income, fees, charges, receipts, profits or other moneys derived by the Board from its ownership or operation of any separate utility system the acquisition and construction of which has been financed by bonds, notes, certificates, warrants or other evidences of indebtedness payable solely from the revenues or other income derived from the ownership or operation of such separate utility system, provided that the Consulting Engineer has certified that in his opinion the acquisition or construction or operation of such separate utility system will not result in a reduction of the Net Revenues below the amounts covenanted by Section 8.2 of the Resolution to be produced; or any gifts, grants, donations or other moneys received by the Board from any State or Federal agency or other person if such gifts, grants, donations or other moneys are the subject of any limitation or reservation (i) imposed by the donor or grantor; or (ii) imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds in a manner inconsistent with the application of Revenues hereunder. Any such grants, donations or other moneys shall be held and applied in the manner required by such limitation or reservation.

“Serial Bonds” means Bonds which are not Term Bonds.

“Series of Bonds” or “Bonds of a Series” means all Bonds designated as being of the same series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to the Resolution.

“Supplemental Resolution” means any resolution adopted by the Board pursuant to and in compliance with the provisions of the Resolution providing for the issuance of Bonds, and shall also mean any other resolution adopted by the Board pursuant to and in compliance with the provisions of the Resolution amending or supplementing the provisions of the Resolution.

“Take or Pay Contract” means a contract, including an Ownership Agreement or an agreement to purchase an electric power supply, which obligates the Board to make payments unconditionally and with respect to any Electric Power Facility without regard to the operational status of the facility.

“Term Bonds” means Bonds the retirement or the redemption of which shall be provided for from moneys credited to the Bond Retirement Account in the Bond Fund pursuant to the Resolution.

“Trojan Nuclear Project Revenue Bonds” means the outstanding bonds heretofore issued pursuant to the Trojan Resolution and any additional Trojan Nuclear Project Revenue Bonds which may hereafter be issued pursuant to the Trojan Resolution.

“Trojan Project” means all properties and assets, real and personal, tangible and intangible, comprising the "Project" as defined in the Agreement for Construction, Ownership and Operation of the Trojan Nuclear Plant among Portland General Electric Company, Pacific Power & Light Company, and the City of Eugene, Oregon, dated October 5, 1970, as the same may be amended from time to time.

“Trojan Resolution” means the resolution adopted by the Board on June 23, 1971, as the same may be amended or supplemented from time to time.

“Unissued Bonds” means Bonds not theretofore issued and not then being issued which, in the opinion of the Consulting Engineer, will be required to be issued to complete the payment of the Cost of Acquisition and Construction of a Project for which Bonds have theretofore been issued or are then being issued.

“Value of Investment Securities” and words of like import means the amortized value thereof, provided, however, that all United States of America, United States Treasury Obligations--State and Local Government Series shall be valued at par and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable. The computations made under this paragraph shall include accrued interest on the Investment Securities. For the purposes of this definition "amortized value," when used with respect to a security purchased at par means the purchase price of such security and when used with respect to a security purchased at a premium above or discount below par, means as of any subsequent date of valuation, the value obtained by dividing the total premium or discount by the number of interest payment dates remaining to maturity on any such security after such purchase and by multiplying the amount as calculated by the number of interest payment dates having passed since the date of purchase and (i) in the case of a security purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of a security purchased at a discount, by adding the product thus obtained to the purchase price.

“Variable Rate Bonds” means any Bonds issued bearing interest at a rate per annum subject to adjustment from time to time based on the terms thereof, based upon an index, or otherwise calculated in a manner which precludes the actual rate for the entire term of such Bonds from being ascertainable in advance.

Issuance of Capital Appreciation Bonds. A Supplemental Resolution providing for the issuance of a Series of Bonds may provide that the payment of interest on any specified Bonds of the Series shall only be made at maturity or at a specified time or times prior to maturity or upon earlier redemption, by sinking fund installment or otherwise. Any such Supplemental Resolution will specify the Compounded Amount of such Bonds as of each interest payment date on the Bonds from the date of issue to maturity. The principal of any such Capital Appreciation Bonds shall be deemed to be their Compounded Amount for all purposes of the Resolution, including without limiting the generality of the foregoing, for purposes of determining the Reserve Account Requirement and the provisions relating to redemption, acceleration and actions by Bondholders.

Issuance of Original Issue Discount Bonds. A Supplemental Resolution providing for the issuance of a Series of Bonds may provide that specified Bonds of the Series be originally reoffered to the public as Original Issue Discount Bonds. For the purposes of provisions of the Resolution relating to redemption, acceleration and actions by Bondholders, the principal amount of Original Issue Discount Bonds shall be deemed to be their Compound Accreted Value, whether or not expressly stated in such provisions. For all other purposes of the Resolution, the principal amount of Original Issue Discount Bonds will be deemed to be their face amount. Compound Accreted Value will be determined as follows: The original offering price of an Original Issue Discount Bond is its initial Compound Accreted Value. On each interest payment date, until the Bond comes due, there will be a new Compound Accreted Value, equal to the prior Compound Accreted Value plus an accretion from the date as of which the prior Compound Accreted Value was calculated at a rate per annum equal to the yield to maturity on the original offering price, less the interest coming due on the interest payment date. Between interest payment dates (or prior to the first interest payment date) the difference between the most recent Compound Accreted Value and the next Compound Accreted Value will accrue linearly in the same manner as interest accrues and, if it becomes necessary to determine the Compound Accreted Value in the interim, it will include the accrual. From and after the

date on which an Original Issue Discount Bond comes due, whether at maturity or by acceleration or redemption, its Compound Accreted Value will remain constant. The original offering price, the date as of which it was calculated and the yield to maturity (compounded on the interest payment dates) will be established by a certificate of the underwriters for the Series of Bonds filed with the Bond Fund Trustee which, upon acceptance by the Bond Fund Trustee, shall be conclusive.

Issuance of Put Bonds. A Supplemental Resolution providing for the issuance of a Series of Bonds may provide for their repurchase or redemption, at the option of the holders, by the Board or its designee or by the Bond Fund Trustee, on a date or dates and with such notice as specified in the applicable Supplemental Resolution. A repurchase or redemption pursuant to such provision will not cause any bond so repurchased or redeemed to lose the benefit of any security hereunder or to be no longer deemed to be outstanding pursuant to the Resolution, by using money available in the Bond Retirement Account in accordance with certain provisions of the Resolution. The repurchase or redemption price will be financed by the proceeds of resale of the repurchased Bonds, by the issuance of refunding Bonds in accordance with the Resolution, or by any other lawful means, or by a combination of the foregoing. To the extent permitted by law and the Supplemental Resolution, the Board, the Bond Fund Trustee or an agent appointed by the Board for such purpose may resell the repurchased Bonds and the Board may issue Bonds (which shall be treated under the Resolution as refunding Bonds) for the purpose of financing any loss incurred by the repurchase and resale. The repurchase or redemption price will not be treated as Debt Service for the purpose of calculating payments into the Bond Fund pursuant to the Resolution but will be treated as principal, interest or redemption price, as the case may be, for the purposes of certain provisions of the Resolution relating to Events of Default. If Bonds of a Series are made subject to repurchase or redemption pursuant to this section, Debt Service will be calculated hereunder by using the schedule of Debt Service which would apply if the option were not exercised except to the extent the option has been exercised and the option price has been paid (or provision for payment has been made pursuant to the Resolution). Nothing in this paragraph will be deemed to preclude any repurchase or redemption of Bonds otherwise required or permitted by the terms of the Resolution.

Issuance of Variable Rate Bonds. A Supplemental Resolution providing for the issuance of a Series of Bonds may provide for the Bonds to bear interest at a variable, adjustable, convertible or other similar rate or rates of interest. Any such Supplemental Resolution will specify: (1) the manner of determining the interest rate or rates and the frequency of change thereof, (2) the maximum rate or rates, if any, at which the Bonds may bear interest and (3) provisions, if any, with respect to the conversion of such Bonds to Bonds bearing a fixed rate of interest and the reconversion of such Bonds to bear interest at a variable rate. The method or methods for determining the interest rate on Bonds bearing interest at a variable or similar rate of interest may include the selection of such rate by a rate determination agent as provided in an agreement between the Board and such agent, the utilization of an index or indices as described in the applicable Supplemental Resolution, or such other standard or combination of standards set forth in the Supplemental Resolution.

In connection with the issuance of any Bonds bearing interest at a variable, adjustable, convertible or similar rate, the Board will obtain a certificate from the underwriters for such bonds setting forth the Certified Interest Rate, which means the rate of interest which would have been borne by such Bonds had they been issued at fixed interest rate, assuming the same maturity dates, terms and provisions (other than interest rate or any repurchase or redemption by the Board at the option of the holder) as the Bonds assuming the same credit rating or ratings of the Board and making any other assumptions deemed necessary and proper, as determined by the underwriters. Such certificate will contain or have attached thereto data and factual information supporting such Certified Interest Rate; and such certificate, when accepted by the Board, will be conclusive.

Debt Service for any Variable Rate Bonds will be calculated for purposes of the definition of Reserve Account Requirement by using the Certified Interest Rate. For purposes of calculating the payments into the Interest Account in the Bond Fund the interest accrued or estimated to accrue during the calendar month in which the payment is to be made will be the amount of the required payment, subject in the case of an estimate to an adjustment at the end of the month.

Additional Security. To the extent permitted by law, a Supplemental Resolution providing for the issuance of a Series of Bonds may provide that the Board obtain or cause to be obtained Additional Security providing for payment of all or a portion of the purchase price or principal, premium, if any, or interest due or to become due on specified Bonds of such Series, or providing for the purchase of such Bonds or a portion thereof by the issuer of the

Additional Security, or providing, in whole or in part, for the funding of the Reserve Account pursuant to the Resolution. In connection therewith, the Board may enter into agreements with the issuer of the Additional Security to provide the terms and conditions thereof, including the security, if any, to be provided to the issuer. The Board may secure the Additional Security by an agreement providing for the purchase of the Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified in the Supplemental Resolution. Debt Service with respect to any Bonds so secured will be calculated for purposes of the definition of "Reserve Account Requirement" by using the rate of interest or Certified Interest Rate, if applicable, on the Bonds prior to adjustment under such agreement. The Board may also agree to reimburse directly the issuer of the Additional Security for any amounts paid thereunder together with interest thereon.

Financing Contracts. The Board may not undertake any Financing Contract directly or indirectly requiring payments from the Power Revenue Fund prior to or on a parity with the payments required to be made from the Power Revenue Fund into the Bond Fund unless there is filed with the Bond Fund Trustee either:

1. a certificate of an Authorized Officer that the maximum annual future expected fixed cost component of payments under all Financing Contracts then under contract (including the Financing Contract to be entered into) is less than 10% of the average annual Debt Service for the then current and all future Fiscal Years; or

2. a certificate of the Consulting Engineer that the estimated Net Revenues of the Distribution system together with other money lawfully available therefor as estimated by the Consulting Engineer for each of the five Fiscal Years, commencing with the first Fiscal Year in which any payment is required under such Financing Contract, will be at least equal to 1.35 times the average annual Debt Service for such Fiscal Years on all outstanding Bonds.

All payments due on any Financing Contract entered into pursuant to the Resolution shall be deemed to be Operating Expenses for purposes of the Resolution and paid from the Operating fund prior to payments to the Bond Fund; provided, however, that notwithstanding any other provisions of the Resolution as to payment of Operating Expenses (a) if the property, services or commodities covered by the Financing Contract are not being and are not expected to be received or made available; or (b) an Event of Default has occurred and is continuing, and such property, services or commodities are not necessary for the proper operation of the Electric System, then and in that event the payments due under such Financing Contract will be payable on a parity with payments required to be made from the Power Revenue Fund into the Bond Fund; provided further that the obligation of the Board under any such Financing Contract will not, directly or indirectly, be payable out of, or constitute a charge against, any money or securities in any fund or account maintained by the Board pursuant to the Resolution, other than the Power Revenue Fund. In any event, the payments on Financing Contracts entered into as described in this section will not be included as part of the Reserve Account Requirement for any other purposes under the Resolution.

Events of Default; Remedies. Under the Resolution, the occurrence of any of the following events constitutes an Event of Default; (i) default in the payment of the principal of and premium, if any, on any Bond when due and payable; (ii) default in the payment of any installment of interest on any Bond when due and payable; (iii) default in compliance with any provisions of any Supplemental Resolution with respect to mandatory sinking fund installments or the redemption of Term Bonds therefrom; (iv) default for 90 days in the observance and performance of any other of the covenants, conditions or agreements of the Board contained in the Resolution, after written notice to the Board from the Bond Fund Trustee or the holders of not less than 20% of the Bonds then outstanding, provided that if such failure shall be such that it cannot be corrected within such 90 day period it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected; and (v) certain events in connection bankruptcy, insolvency or reorganization or other proceedings relating to the Board.

So long as any of the Original Electric System Revenue Bonds remain outstanding, the holders from time to time of the Bonds shall have the same rights and remedies to enforce the provisions of the Original Resolution as the holders of the Original Electric System Revenue Bonds have to enforce the provisions of the Original Resolution. The rights and remedies granted to holders of Bonds as described under this section "Events of Default, Remedies" are subject in all respects to the provisions of the Original Resolution so long as the Original Electric System Revenue Bonds remain outstanding and to the Trojan Resolution so long as Trojan Bonds remain outstanding.

Within 90 days after the occurrence of an Event of Default, the Bond Fund Trustee will give to the Bondholders notice of all defaults known to the Bond Fund Trustee, unless such defaults will have been cured before the giving of such notice, except as provided in the Resolution.

If an Event of Default has happened and has not been remedied, the books of record and account of the Board relating to the Electric System and all other records relating thereto will at all times be subject to the inspection and use of the Bond Fund Trustee and any persons holding at least 25% of the principal amount of Bonds outstanding and of their respective agents and attorneys or of any committee therefor.

If an Event of Default has happened and has not been remedied, the Board will continue to account, as a trustee of an express trust, for all gross revenues and other money, securities and funds pledged under the Resolution.

If an Event of Default occurs and is not remedied, upon demand of the Bond Fund Trustee, the Board will pay over to the Bond Fund Trustee and cause any Construction Fund Trustee to pay over to the Bond Fund Trustee, all money, securities and funds held by the Board and pledged under the Resolution, and all money, securities and funds then held by any Construction Fund Trustee, and all Revenues as promptly as practicable after receipt.

During the continuation of an of Event of Default with respect to the payment of principal of, premium, if any, interest on, or sinking fund installments for, the Bonds, the Revenues received by the Bond Fund Trustee or by a Bondholders' Committee are to be applied first to the payment of all necessary and proper Operating Expenses of the Electric System and all other proper disbursements or liabilities made or incurred by the Bond Fund Trustee or by the Bondholders' Committee, second, to the then due and overdue payments into the Bond Fund, and last, for any lawful purpose of the Resolution or the Electric System.

In the event that any time the funds held pursuant to the preceding paragraphs are insufficient for the payment of the principal of, premium, if any, and interest then due on the Bonds, and unless the principal of all the Bonds shall have become due and payable, such funds and all Revenues of the Board and other of its money received or collected by the Bond Fund Trustee are to be applied, first to the payment of all necessary and property Operating Expenses of the Electric System and all property disbursements or liabilities made or incurred by the Bond Fund Trustee, or by the Bondholders' Committee, second to the payments to the persons entitled thereto of all installments of interest then due in order of the maturity of such installments, earliest maturities first, and if such money is insufficient, ratably without preference, and third, to the payment to the persons entitled thereto of the principal and premium, if any, due and unpaid upon the Bonds at the time of such payment ratably without preference.

However, if the principal of all the Bonds has become due and payable, the funds and money received by the Bond Fund Trustee or the Bondholders' Committee referred to in the immediately preceding two paragraphs are to be applied, first, to the payment of all necessary and property Operating Expenses of the Electric system and all proper disbursements and liabilities made or incurred by the Bond Fund Trustee or by the Bondholders' Committee, and, second, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond ratably to the persons entitled thereto.

If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Bond Fund Trustee and the holders of the Bonds, and all other sums payable by the Board under the Resolution including the principal of and premium, if any, on all Bonds which shall then be payable, shall either be paid in full by or for the account of the Board or provision satisfactory to the Bond Fund Trustee is made for such payment, and all defaults under the Resolution or the Bonds are made good and secured to the satisfaction of the Bond Fund Trustee, the Bond Fund Trustee or the Bondholders' Committee must pay over to the Board all of its money, securities, funds and gross revenues then remaining unexpended in the hands of the Bond Fund Trustee or the Bondholders' Committee, control of the business and possession of the property to the Board will be restored to the Board, and thereupon the Board and the Bond Fund Trustee will be restored, respectively, to their former position and rights under the Resolution.

Upon the occurrence and continuation of an Event of Default, the Bond Fund Trustee or a Bondholders' Committee representing the holders of not less than a majority of the Bonds at the time outstanding, as a matter of right against the Board, without notice or demand, and without regard to the adequacy of the security for the Bonds shall, only if

and to the extent then permitted by law, take possession and control for the business and properties of the Electric System, operate and maintain the Electric System, make any necessary repairs, renewals and replacements in respect thereof, prescribe rates and charges for power and energy sold, furnished or supplied through the facilities of the Electric System and collect the gross revenues of the Electric System.

Upon the occurrence and continuation of an Event of Default, the Bond Fund Trustee or the holders of 25% or more in principal amount of Bonds then outstanding or any committee therefor shall, but only if and to the extent then permitted by law, be entitled to the appointment of a receiver to take possession of the Electric System, to manage, receive and apply the Revenues. Notwithstanding the appointment of any receiver, the Bond Fund Trustee is to be entitled to retain possession and control if and to collect and receive income from any money, securities, funds and Revenues deposited or pledged with it under the Resolution or agreed or provided to be delivered to or deposited or pledged with it under the Resolution.

The Resolution empowers the Bond Fund Trustee to institute such suit, action or proceedings to protect and enforce its rights and the rights of the holders of the Bonds or file proofs of debt, claim, petition or other document for the benefit of the holders of the Bonds in equity, bankruptcy, insolvency, reorganization, receivership, liquidation, readjustment or other similar proceedings.

The holders of a majority in principal amount of the Bonds at the time outstanding have the right to direct the time, method and place of conducting any proceeding for any remedy available to the holders of the Bonds or the Bond Fund Trustee, or exercising any trust or power conferred upon the Bond Fund Trustee, or to consent to the waiver of any Event of Default or its consequences and the Bond Fund Trustee is to waive any Event of Default and its consequences upon the written request of the holders of such majority. No Bondholder has any right to institute suit to enforce any provision of the Resolution or the execution of any trust thereunder (except to enforce the payment of principal or interest installments as they mature), unless such holder has previously given the Bond Fund Trustee written notice of such Event of Default and the Bond Fund Trustee has been requested by the holders of not less than 20% in principal amount of the Bonds then outstanding to exercise the powers granted it by the Resolution or to institute such suit and unless the Bond Fund Trustee has refused or failed within 60 days after the receipt of such request, after having been offered adequate security and indemnity, to comply with such request. The Resolution also provides for the creation of a "Bondholders' Committee."

Amendments; Supplemental Resolutions. Without the consent of any holder of the Bonds, the Board may adopt Supplemental Resolutions for certain purposes, including the issuance of additional Bonds or, if the rights of the holders of outstanding Bonds are not adversely affected, to add the covenants of the Board contained in, or to surrender any rights reserved to or conferred upon it by, the Resolution; to confirm as further assurance any pledge under the Resolution; to cure any ambiguity or correct any defect in the Resolution; and to grant to or confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them, or to grant to or to confer upon the Bond Fund Trustee for the benefit of the holders of the Bonds any additional rights, duties, remedies, powers, authority or security.

Any amendment to the Resolution may be made by the Board with the consent of the holders of 50% in principal amount of the Bonds then outstanding, provided that no such amendment will, among other things, (1) permit a change in the date of payment of principal of or any installment of interest on any Bond or a reduction in the principal or redemption price thereof or the rate of interest thereon; (2) reduce the aforesaid percentage of Bonds the holders of which are required to consent to any Supplemental Resolution amending or supplementing the provisions of the Resolution; (3) give to any Bond or Bonds any preference over any other Bond or Bonds secured by the Resolution; (4) authorized the creation of any pledge of the Revenues and other money pledged under the Resolution, prior, superior or equal to the pledge of and lien and charge thereon created by the Resolution for the payment of the bonds except to the extent provided in the Resolution with respect to the issuance of additional Bonds; or (5) deprive any holder of Bonds in any material respect of the security afforded by the Resolution without the consent of each Bondholder so affected.

Discharge of Obligations Under the Resolution. The obligations of the Board under the Resolution and the liens, pledges, charges, trusts, and the covenants and agreements of the Board therein made or provided for, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be outstanding thereunder, when such Bond shall have been canceled, or shall have been surrendered for cancellation or is subject to

cancellation, or shall have been purchased by the Bond Fund Trustee from money held by it under the Resolution, or when payment of the principal of and the applicable redemption premium, if any, on such Bond, plus interest thereon to the due date thereof, (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided for by irrevocably depositing with the Bond Fund Trustee or a paying agent, in trust solely for such payment (i) money sufficient to make such payments or (ii) Investment Securities described in items (1), (5) and (8) under the definition of "Investment of Funds" set forth above maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient money to make such payment, and except for the purposes of such payment, such Bond shall no longer be secured by or entitled to the benefits of the Resolution; shall constitute such payment, discharge and satisfaction, unless such Bonds shall have been irrevocably designated for redemption or prepayment and notice of such redemption or prepayment shall have been given or irrevocable provisions shall have been made for the giving of such notice.

Amendments to the Resolution to Become Effective in the Future.

The Board, in a Supplemental Resolution adopted by such Board on May 24, 1993, amended the Resolution, as follows: At such time as the Electric Utility System Revenue Bonds, Series 1986, Series 1986M, Series 1987, Series 1988M, Series 1991 and Series 1992 are no longer outstanding under the Bond Resolution, the Bond Resolution will be amended as follows:

1. So long as there is not an Event of Default under the Bond Resolution, the Board shall have the discretion to determine that the Bond Fund Trustee shall have no duties, obligations or responsibilities under the Bond Resolution and that the Board shall act in place of the Bond Fund Trustee and hold all money under the Bond Resolution now prescribed to be held by the Bond Fund Trustee. If the Board has made such determination and an Event of Default shall occur under the Bond Resolution, the Bond Fund Trustee shall immediately be reinstated as Bond Fund Trustee and perform all duties and accept all obligations and responsibilities as prescribed by the Bond Resolution. After the curing or waiving of all such Events of Default, the Board may once again determine that the Bond Fund Trustee shall bear no duties, obligations or responsibilities under the Bond Resolution.

2. The definition of Investment Securities shall include "such other investments as are permitted under the laws of the State of Oregon."

3. Interest Rate Exchange Agreements are permitted provided that any payments thereunder are subordinate to payments from the Power Revenue Fund into the Bond Fund.

4. The Board will have the option to self-insure to the extent the Board determines that it is in the financial interest of the Board and that there are reasonable reserves therefore.

5. The requirements of a report by a Consulting Engineer at the end of each fifth calendar year with respect to the Electric system has been eliminated.

The Bonds referenced above are no longer outstanding and therefore these amendments are currently effective.

AMENDED AND RESTATED MASTER RESOLUTION

[to come]

APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E

BOOK-ENTRY SYSTEM

The following information has been provided by the Depository Trust Company, New York, New York (“DTC”). The City and EWEB make no representation regarding the accuracy or completeness thereof. Beneficial Owners (as hereinafter defined) should therefore confirm the following with DTC or the Participants (as hereinafter defined).

DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016 Bond certificate will be issued for each maturity of the Series 2016 Bonds in the principal amount of such maturity and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2016 Bonds under the DTC system, in denominations of \$5,000 or any integral multiple thereof, must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2016 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are expected, however, to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

When notices are given, they will be sent by the Bond Registrar to DTC only. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series 2016 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series 2016 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or any other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the City and the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2016 Bond certificates are required to be printed and delivered.

The City and EWEB may decide to discontinue use of the system of the book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2016 Bond certificates will be printed and delivered to DTC.

With respect to Series 2016 Bonds registered on the Bond Register in the name of Cede & Co., as nominee of DTC, the City and the Bond Registrar will have no responsibility or obligation to any Participant or to any person on behalf of whom a Participant holds an interest in the Series 2016 Bonds with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Series 2016 Bonds; (ii) the delivery to any Participant or any other person, other than a bondowner as shown on the Bond Register, of any notice with respect to the Series 2016 Bonds, including any notice of redemption; (iii) the payment to any Participant or any other person, other than a bondowner as shown on the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the Series 2016 Bonds; (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2016 Bonds; (v) any consent given action taken by DTC as registered owner; or (vi) any other matter. The City and the Bond Registrar may treat and consider Cede & Co., in whose name each Series 2016 Bond is registered on the Bond Register, as the holder and absolute owner of such Series 2016 Bond for the purpose of payment of principal and interest with respect to such Series 2016 Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2016 Bond, for the purpose of registering transfers with respect to such Series 2016 Bond, and for all other purposes whatsoever. For the purposes of this Official Statement, the term "Beneficial Owner" will include the person for whom the Participant acquires an interest in the Series 2016 Bonds.