Eugene Water & Electric Board

Annual Report
December 31, 2004 and 2003
(Restated)

Board of Commissioners
500 East Fourth Avenue
Eugene, Oregon 97401

Mr. Patrick Lanning	President
Ms. Sandra Bishop	Vice-President
Mr. Ron Farmer	Member
Mr. Dorothy Anderson	Member
Mr. Mel Menegat	Member

Officers
500 East Fourth Avenue
Eugene, Oregon 97401

Mr. Randy L. Berggren	General Manager, Secretary
Ms. Krista K. Hince	Assistant Secretary
Mr. James H. Origliosso	Treasurer
Ms. Catherine D. Bloom	Assistant Treasurer

Report of Independent Auditors

To the Board of Commissioners of
Eugene Water & Electric Board

In our opinion, the financial statements of the Electric System Fund, the Water System Fund and the Trojan Project Fund of the Eugene Water and Electric Board (the "Board"), which are major funds that collectively comprise the Board's basic financial statements as listed in the index, present fairly, in all material respects, the respective financial position of each major fund of the Board, at December 31, 2004 and 2003, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2, the December 31, 2004 and 2003 basic financial statements have been restated.

As discussed in Note 3, the Board changed the manner in which it accounts for realized gains and losses on physically settled derivative contracts not held for trading purposes, as of January 1, 2004.

The management's discussion and analysis for the year ended December 31, 2004 and 2003 on pages 3 through 12 is not a required part of the basic financial statements as of and for the year then ended but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The financial information included as supplementary information listed in the index is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material resects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

Portland, Oregon
February 2, 2005, except for Notes 2 and 13, as to which date is March 25, 2005

I, Ann E. Rhoads, do affirm that I am an independent certified public accountant holding unrevoked certificate number 5251 in the State of Oregon.

I have signed the above opinion as a partner of the firm of:

PricewaterhouseCoopers LLP
1300 SW Fifth Avenue, Suite 3100
Portland, Oregon 97201

Ann Rhoads

Ann E. Rhoads

Management’s Discussion and Analysis

The Eugene Water & Electric Board ("Board") is an administrative unit of the City of Eugene, Oregon and is responsible for the operation of the water and electric utilities of the City. The responsibilities delegated to the Board pursuant to the City Charter are conducted under the direction of a publicly elected board of five commissioners. The Board operates vertically integrated electric and water utilities that serve 83,000 electric customers and 48,300 water customers. The Board is also a 30.0% owner of the Trojan Nuclear Project.

In prior years, the Board's basic financial statements did not include transactions related to the Trojan Project Fund (discussed in Notes 2 and 13 to the financial statements). In 2004 the Board determined that the Trojan Project Fund should be included. The impact of the restatement is inclusion of an additional enterprise fund column in the basic financial statements and inclusion of additional note disclosures, primarily in Note 13. In addition, management discussion and analysis for the Trojan Project Fund are included in this report.

Financial Policies and Controls
The Board's financial management system consists of financial policies, financial management strategies, and the internal control structure, including the annual budgets and external audit of its financial statements. The Board has the exclusive right to determine rates and charges for services provided. The Board has established standards for financial performance and rate competitiveness that place its financial performance above the average of publicly owned electric and water utilities. This objective is reflected in evaluations of creditworthiness performed by the major credit rating agencies. Current underlying ratings are:

	Fitch	Moody's	Standard & Poors
Electric System	A+	A1	AA-
Water System	AA	Aa3	AA

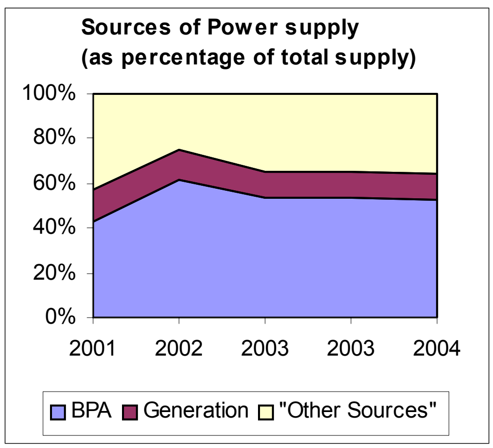
Power Supply Risk Management Policies
The Board must comply with State statues and City Charter that authorize and control its activities and the scope of its purchases and investments. Accordingly, the Board's activities in the power markets must be associated with the provision of electricity to meet anticipated sales and generation forecasts. To ensure this requirement is met, Board policies restrict the maximum long and short positions that can be taken relative to forward forecasts. The Board may grant exception to this policy to deal with specific circumstances, such as long-term resource acquisitions.

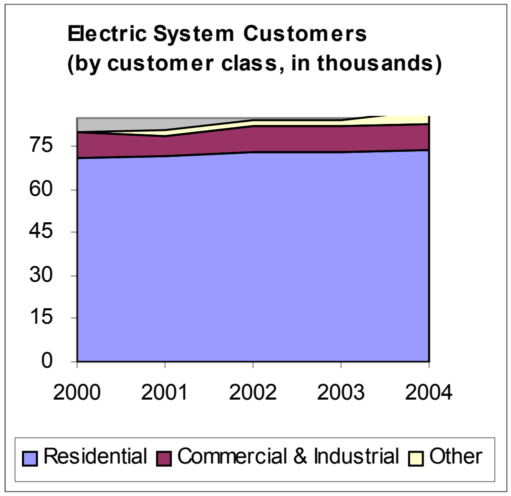
In addition to these anti-speculation provisions, the policies set standards for power supply counter-party creditworthiness. Credit exposure to all existing and potential counter-parties is reviewed on a continuous basis and actions are taken to either obtain security or restrict business transactions so as to be consistent with the credit evaluation.

Electric System
The Electric System serves a 238-square mile area, including the City and adjacent suburban areas. Power supply requirements are met primarily from hydroelectric sources, including self-generation and purchases from Bonneville Power Administration ("BPA"). Heating load and general economic conditions are the primary influences on retail sales. However, overall financial condition is influenced to a much greater degree by the availability of water for generation that is in excess of historically critical conditions both locally and regionally.

The Electric System in 2004 and 2003 purchased 53% and 54%, respectively, of its power used to serve retail load from BPA, the majority of which is provided under a "Slice of System" contract with the remainder obtained under a standard output ("Block") contract. Under the Slice agreement the Board has rights to 2.4% of the output of the federal BPA system. At critical water conditions this portion of output, together with the Board's self-generation is sufficient to serve retail load. The price of Slice power is set assuming critical water conditions. To the extent water conditions are above critical, the resulting secondary output is obtained at no additional charge.

However, during 2004 and in prior years, the Board's budgeting and revenue forecasting processes assumed normal water conditions and an average price for wholesale sales of the secondary power that is surplus to its retail needs. Sales prices are supported by output sales into forward markets and by financial instruments that have the effect of setting a minimum price for sales of secondary power. Unfortunately streamflows in the region have been less than normal for the last five years and have ranged from 54% to 97% based on a 30 year average. During 2004 the Board changed its budgeting and forecasting process to assume that available water for generation is 85% of the normal precipitation. The result of this change was an increase in electric rates in October 2004.




Electric System Customers
(by customer class, in thousands)
75
60
45
30
15
0
2000
2001
2002
2003
2004
Residential
Commercial & Industrial
Other

Financial Summary and Analysis
During 2004 the Electric System's gross operating revenues increased by $3 million (or 1%). Retail revenues increased by $11 million (7%) as a result of two retail rate increases (5% in April and 6% in October). Wholesale sales decreased by $8 million (15%) as a result of increased bookout activity (transactions with sale and purchase components that are not physically delivered), which are presented as net sales or net purchases under an accounting standard implemented in 2004. (Bookouts in 2003 were reclassified to conform to the 2004 presentation.) Prior to the netting of bookouts, wholesale sales had increased by $9 million in comparison to the prior year. However, results of overall net operating revenue increased $12 million over 2003 on a consistent measurement basis.

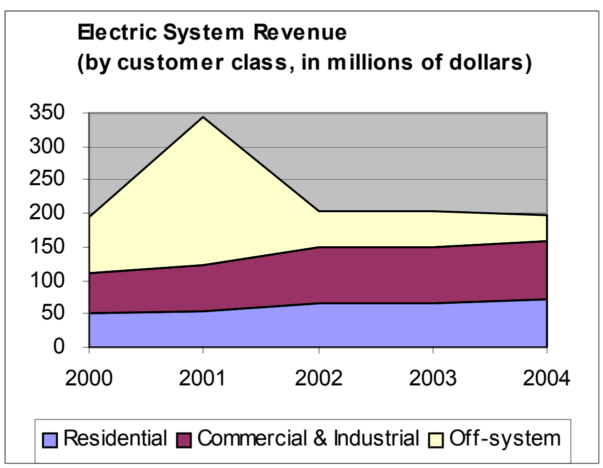
During 2003 the Electric System's gross operating revenues increased by $26.6 million (or 13%). Retail revenues remained essentially unchanged. The largest factor in the increase in operating revenue was the large increase in wholesale sales, which was up by 47% ($26 million). This performance was the result of:

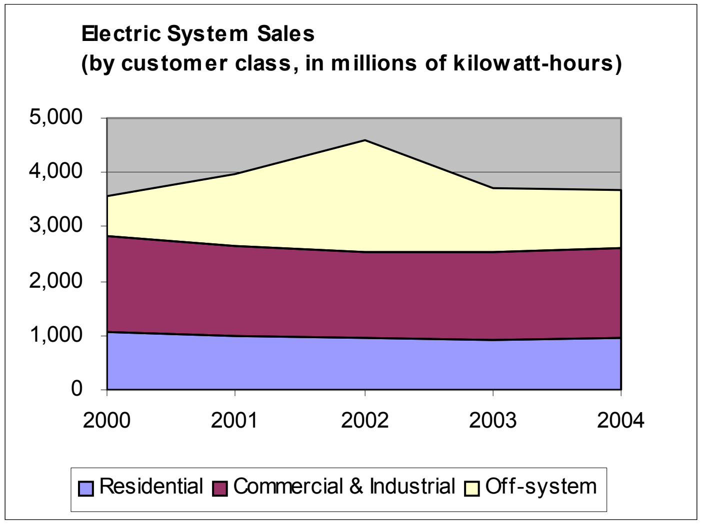
- Wholesale pries that averaged $10 per mWh higher than in 2002
- 470,000 mWh of additional output available for wholesale sales.

Resulting net operating revenue increased by $1.7 million (by 6.4%).

Electric rates increased during 2004 to fund deferred capital improvements, changes in Bonneville wholesale rates, and a reduction in the assumed amount of power available for resale as a result of lower assumed precipitation.

Included in the rates in 2003 was a surcharge designed to recover from the effects of the energy crisis of 2000-01. This event necessitated the borrowing of $30 million in 2001-02 to support working capital requirements for the purchase of wholesale power at unusually high prices. This borrowing was fully retired during 2003. The surcharge was discontinued in October of 2004.





Selected Financial Data

(in millions of dollars)	2004	2003	2002
Operating revenue	$ 211	$ 209	$ 209
Operating expenses	171	181	183
Net operating income	$ 40	$ 28	$ 26
Income before contributed capital	$ 19	$ 9	$ 9
Contributed capital	3	2	2
Change in net assets	$ 22	$ 11	$ 11
Total assets	$ 396	$ 378	$ 377
Total liabilities	254	258	268
Total net assets	$ 142	$ 120	$ 109

Capital Asset and Long-Term Debt Activity
Total utility plant in service as of December 31, 2004, 2003 and 2002 consisted of the following:

(in millions of dollars)	2004	2003	2002
Generation	$ 171	$ 160	$ 136
Transmission and distribution	218	205	197
General plant	67	65	66
Total plant in service	$ 456	$ 430	$ 399

As of December 31, 2004, the Electric System had $454 million, an increase from $430 million in 2003 and $399 million in 2002, of plant-in-service. Additions to electric plant consisted primarily of relicensing related improvements to the Leaburg Hydroelectric Project and the distribution system. Utility plant net of depreciation was $211 million and $195 million at December 31, 2004 and 2003, respectively. This represented an increase in net plant of $16 million (or 8%) over 2003. Capital construction was provided for through a combination of construction fees, cash flow from revenues, and long-term revenue bonds.

Total liabilities as of December 31 2004, 2003 and 2002 consisted of the following:

(in millions of dollars)	**2004**	**2003**	**2002**
Total current liabilities	$ 42	$ 42	$ 58
Total noncurrent liabilities	212	216	210
Total liabilities	$ 254	$ 258	$ 268

The Board issues revenue bonds to provide for the construction of capital facilities. At year end, the Electric System had $209 million of revenue bonds outstanding versus $214 million in 2003 and $212 million in 2002. No additional bonds were issued during 2004. During 2003 the Electric System Revenue and Refunding Bonds were issued in the amount of $40.9 million to refund the Series 1994 and Series 1998B bonds at lower rates of interest and to finance $5.8 million of hydroelectric project relicensing costs.

Economic Factors, Rates, and Outlook

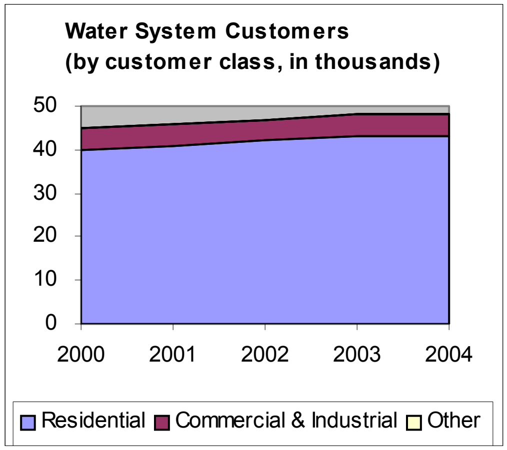
During 2005 retail electric rates are expected to change so as to pass through the effects of Bonneville wholesale rate changes. The Board is also expected to issue revenue bonds during 2005 to provide for the additions to electric plant for relicensing related improvements to the Carmen Smith Hydroelectric Project and costs associated with investigating the relocation of the Board's Headquarters and operations facilities.

The Federal Energy Regulatory Commission license to operate the Carmen Smith Hydroelectric Project expires in 2008. Continued operation of the project requires the submission of an extensive license application requiring substantial scientific study and consultation with environmental and regulatory agencies. The application is due to be submitted in 2006.

The Board expects to issue up to $10 million in Electric Revenue Bonds during 2005 to complete the application process. The level of capital improvements to be required by the new license cannot be determined at this time.

Water System

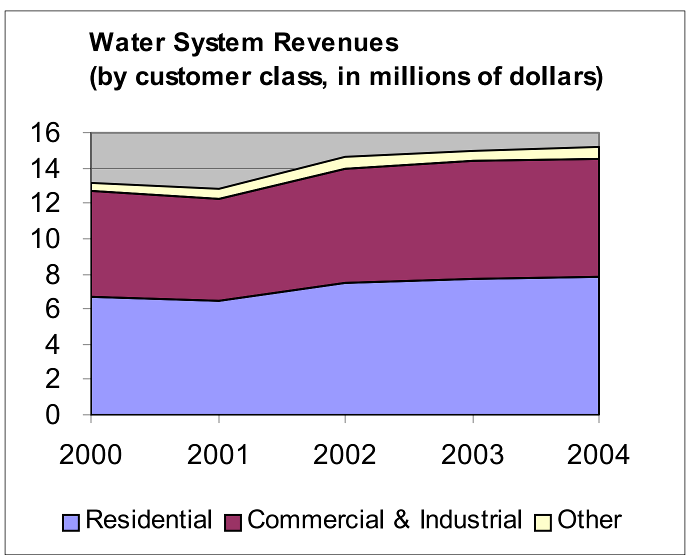
The Water System provides water to all areas within Eugene, and two water districts and one private water utility outside Eugene. During 2004 the Water System sold 1.0 billion gallons of water (10% of total sales) to the water districts. In 2003 the Water System sold 1.102 billion gallons of water (11% of total sales) to the water districts. Water is supplied from the McKenzie River and is treated at the Hayden Bridge Filtration Plant, the largest full-treatment plant in Oregon. Water is pumped from the Hayden Bridge Filtration Plant into the distribution system through two large transmission mains. The water distribution system consists of 25 enclosed reservoirs with a combined storage capacity of 92 million gallons, 31 pump stations and over 700 miles of distribution mains.

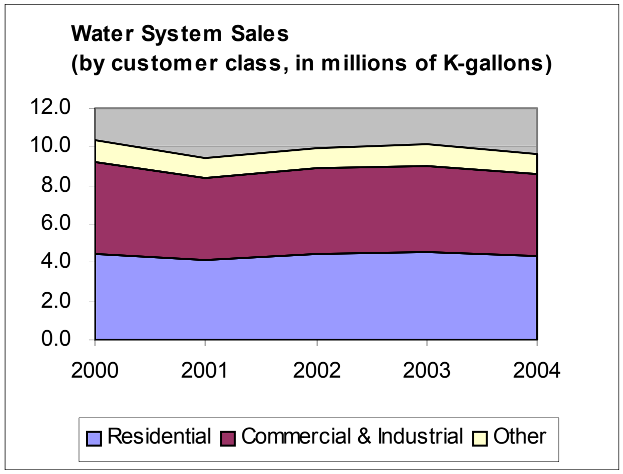


Financial Summary and Analysis

During 2004 Water System operating revenues increased by $248,000 (or 2%). However, due to generally higher operation and maintenance costs net operating revenues decreased by $608,000 (or 28%), resulting in net income of $2 million, which is 42% less than in 2003. However, water rates were increased in April of 2004 by 6% to pay for the higher operational costs.

During 2003, Water System operating revenues increased by $281,000 (or 2%). However due to generally higher operation and maintenance costs net operating revenues decreased by $357,000 (or 14%), resulting in net income of $3.1 million which is 6.5% less than 2002.





Selected Financial Data

(in millions of dollars)	**2004**	**2003**	**2002**
Operating revenue	$ 15	$ 15	$ 15
Operating expenses	13	13	12
Net operating income	$ 2	$ 2	$ 3
Income before contributions	$ 2	$ 3	$ 3
Contributed capital	1	2	1
Change in net assets	$ 3	$ 5	$ 4
Total assets	$ 86	$ 86	$ 79
Total liabilities	41	43	41
Total net assets	$ 46	$ 43	$ 38

Capital Asset and Long-Term Debt Activity
Total Water System plant in service as of December 31, 2004, 2003 and 2002 consisted of the following:

(in millions of dollars)	**2004**	**2003**	**2002**
Production	$ 30	$ 30	$ 16
Transmission and distribution	66	63	58
General plant	5	4	4
Total water system plant in service	$ 101	$ 97	$ 78

As of December 31, 2004, the Water System had $101 million invested in a variety of capital assets, an increase from $97 million in 2003 and $78 million in 2002. Utility plant net of accumulated depreciation was $40 million, an increase from $38.3 million in 2003. This represented an increase in plant of $1 million, net of depreciation (or 4%) over 2003, which is attributable to the completion of construction of a new 20 million gallon reservoir at the Hayden Bridge Filtration Plant. Capital construction is provided for through a combination of construction fees, cash flow from revenues, and long-term revenue bonds.

Total liabilities as of December 31, 2004, 2003 and 2002 consisted of the following:

(in millions of dollars)	**2004**	**2003**	**2002**
Total current liabilities	$ 3	$ 4	$ 3
Total noncurrent liabilities	38	39	38
Total liabilities	$ 41	$ 43	$ 41

At December 31, 2004 the Water System had $33 million of revenue bonds outstanding versus $34 million at December 31, 2003 and 2002. No Water System Revenue Bonds were issued during 2004 or 2003.

System Rates
During 2005 water rates are expected to remain unchanged. However, the administrative and support facilities for the Water System are shared with the Electric System facilities, and as mentioned above, the Board is investigating relocating these facilities during the next year.

Trojan Project (as restated)

The Trojan Nuclear Plant ("Trojan" or "Trojan Project") is jointly owned by Portland General Electric Company ("PGE"), 67.5%; Eugene Water & Electric Board (the "Board"), 30%; and Pacific Power & Light Company, 2.5%. The Project's financial statements reflect the Board's 30% ownership of Trojan.

In January of 1993, PGE ceased commercial operation of Trojan. PGE made the decision, which was later approved by each project partner, to shutdown Trojan. Accordingly, in 1993 the Project wrote off the nuclear reactor portion of the plant in service, along with other assets no longer in use. During 1995 the remaining plant was written off. The Project has also recorded a provision for decommissioning costs based on an estimate in current dollars and a receivable from Bonneville Power Administration ("BPA") representing BPA's responsibility to pay for all Trojan costs.

Prior to ceasing operations, the Board had previously assigned to BPA and other public agency participants its 30% share of the output from Trojan. Accordingly, BPA is obligated to pay the Board's share of all Trojan Project costs, including decommissioning and debt service in the form of net billing agreements. The Trojan Project fund has zero net assets as all amounts represent pass through of costs to BPA. By the terms of Trojan's outstanding bonds, there is no pledge of revenues from the Electric or Water Systems of EWEB to pay Trojan debt.

Financial Summary and Analysis
During 2004 the Project experienced a reduction in assets and liabilities of $12.5 million. In conjunction with minor offsetting items, the key factors influencing these results include:

- Reduction in BPA receivable by $13.6 million
- Decrease in the provision for decommissioning costs of $5.2 million and reduction in long-term debt of $7.4 million

During 2003 the Board experienced a reduction in assets of $45.1 million. The factors influencing these results include:

- Transfer of $5.7 million from the decommissioning reserve fund to the general fund to pay decommissioning costs
- Lower provision for decommissioning costs by $37.6 million than the previous year, $14.9 million due to continued plant decommissioning efforts and $22.7 million (net) due to the adoption of SFAS No. 143. This decreased the amount due from BPA in current dollars.

Selected Financial Data (as restated)

(in thousands of dollars)	2004	2003	2002
Net billings credits	$ 7,406	$ 5,419	$ 5,461
Decommissioning and other related costs	1,533	(209)	1,968
Long-term receivable, BPA *	61,939	75,608	111,607
Provision for decommissioning *	41,245	46,477	84,055
Long term debt	34,615	42,085	-
Total assets *	85,813	98,273	143,313
Total liabilities *	85,813	98,273	143,313

* As described in Note 13 to the financial statements, the decommissioning liability as of January 1, 2003 was adjusted due to the adoption of SFAS No. 143, which reduced the decommissioning liability by $24.4 million.

The Provision for decommissioning costs is a liability representing the future estimate for the remaining costs for equipment removal, embedded pipe remediation, surface contamination, nonradiological decontamination and on-site spent nuclear fuel storage (until permanent storage is provided by the U.S. Department of Energy). During 2004 the fund paid $8.7 million on behalf of BPA to PGE for decommissioning costs. In 2003 the fund paid $12.7 million respectively.

Long-Term Debt Activity
Total Liabilities as of December 31, 2004, 2003 and 2002 consisted of the following:

(in thousands of dollars)	2004	2003	2002
Total current liabilities	$ 9,952	$ 9,711	$ 10,154
Total long-term debt	34,616	42,085	49,104

At year end the Project had $45 million in long-term bonded debt outstanding as compared to $52 million last year. In 2005 the Board expects to refinance the bonds to take advantage of the lower interest rates currently available.

Economic Factors and Outlook
Transfer of the spent nuclear fuel to a temporary storage facility was completed ahead of schedule in 2003 and license termination is anticipated in 2005. The license termination is based on an estimate of the remaining decommissioning activities being completed by 2005. However, costs to operate and maintain the interim dry storage facility which houses the spent nuclear fuel will continue until permanent storage is available.

Basic Financial Statements

Eugene Water & Electric Board
Electric, Water Systems and Trojan Project
Balance Sheets
As Restated
December 31, 2004 and 2003

	Electric System		Water System	
	2004	2003	2004	2003
Assets				
Plant in service	$ 453,744,241	$ 429,872,438	$ 100,825,661	$ 96,978,806
Less accumulated depreciation	242,395,323	234,390,397	61,174,252	58,663,269
	211,348,918	195,482,041	39,651,409	38,315,537
Property held for future use	739,429	739,429	903,106	1,012,606
Construction work in progress	29,677,675	35,233,928	12,802,778	12,103,261
Net utility plant	241,766,022	231,455,398	53,357,293	51,431,404
Bond funds	-	-	-	-
Reserve and contingency fund	-	-	-	-
Construction funds	2,113,180	10,120,491	8,698,806	8,677,696
Investments for debt service	6,913,732	7,551,594	1,073,994	1,090,540
Restricted cash and investments	9,026,912	17,672,085	9,772,800	9,768,236
Cash and cash equivalents	6,303,576	16,175,280	871,047	2,394,924
Short-term investments	8,902,193	3,016,905	-	-
Designated investments				
Purchased power reserve	3,130,346	-	-	-
Capital improvement fund	4,341,692	-	10,438,258	10,688,075
Operating fund	784,211	823,716	1,254,658	1,333,056
Pension and medical reserve	5,582,975	1,469,596	1,190,097	366,400
Receivables, less allowances	35,924,375	31,823,985	1,444,913	1,188,494
Materials and supplies, at average cost	2,173,215	2,070,264	426,956	479,106
Prepayments and special deposits	4,694,454	5,751,534	523,262	495,227
Current assets	71,837,037	61,131,280	16,149,191	16,945,282
Prepaid retirement obligation	19,959,985	20,881,214	4,989,993	5,220,301
Investment in Western Generation Agency	9,674,585	9,819,504	-	-
Long-term receivable, conservation and other	5,310,347	5,644,107	-	-
Note receivable, water	5,220,302	5,450,610	-	-
Long-term receivable, BPA, net				
Deferred charges and other	33,045,443	26,302,029	2,119,593	2,374,638
Other assets	73,210,662	68,097,464	7,109,586	7,594,939
Total assets	$ 395,840,633	$ 378,356,227	$ 86,388,870	$ 85,739,861
Liabilities				
Accounts payable	$ 29,062,284	$ 29,913,446	$ 600,917	$ 2,376,796
Accrued payroll and benefits	2,838,121	2,458,657	554,987	486,250
Accrued interest on long-term debt	4,370,591	4,695,109	712,534	727,830
Long-term debt due within one year	6,145,000	4,645,000	860,000	825,000
Current liabilities	42,415,996	41,712,212	2,728,438	4,415,876
Long-term debt, bonds payable	203,371,308	209,494,599	32,089,452	32,898,129
Note payable, electric	-	-	5,220,302	5,450,610
Other liabilities and deferred credits	8,168,223	7,054,238	599,546	401,213
Accumulated provision for decommissioning costs	-	-	-	-
Total liabilities	253,955,527	258,261,049	40,637,738	43,165,828
Net Assets				
Invested in capital assets, net of related debt	73,001,388	66,439,004	28,092,558	25,465,593
Restricted for				
Capital projects	2,113,180	2,376,133	301,555	192,549
Debt service	6,913,732	7,551,594	1,073,994	1,090,540
Unrestricted	59,856,806	43,728,447	16,283,025	15,825,351
Total net assets	141,885,106	120,095,178	45,751,132	42,574,033
Total liabilities and net assets	$ 395,840,633	$ 378,356,227	$ 86,388,870	$ 85,739,861

Note: Inter system balances have been eliminated from the total systems columns.

The accompanying notes are an integral part of these basic financial statements.

Eugene Water & Electric Board
Electric, Water Systems and Trojan Project
Balance Sheets
As Restated
December 31, 2004 and 2003

	Trojan Project (Note 13)		Total Systems	
	2004	2003	2004	2003
Assets				
Plant in service	$ -	$ -	$ 554,569,902	$ 526,851,244
Less accumulated depreciation	-	-	303,569,575	293,053,666
	-	-	251,000,327	233,797,578
Property held for future use	-	-	1,642,535	1,752,035
Construction work in progress	-	-	42,480,453	47,337,189
Net utility plant	-	-	295,123,315	282,886,802
Bond funds	10,561,506	10,559,623	10,561,506	10,559,623
Reserve and contingency fund	2,001,065	2,002,213	2,001,065	2,002,213
Construction funds	-	-	10,811,986	18,798,187
Investments for debt service	3,531,533	3,525,622	11,519,259	12,167,756
Restricted cash and investments	16,094,104	16,087,458	34,893,816	43,527,779
Cash and cash equivalents	7,152,151	6,244,065	14,326,774	24,814,269
Short-term investments	-	-	8,902,193	3,016,905
Designated investments				
Purchased power reserve	-	-	3,130,346	-
Capital improvement fund	-	-	14,779,950	10,688,075
Operating fund	-	-	2,038,869	2,156,772
Pension and medical reserve	-	-	6,773,072	1,835,996
Receivables, less allowances	420,445	-	37,745,105	33,004,622
Materials and supplies, at average cost	-	-	2,600,171	2,549,370
Prepayments and special deposits	186,132	306,000	5,403,848	6,552,761
Current assets	7,758,728	6,550,065	95,700,328	84,618,770
Prepaid retirement obligation	-	-	24,949,978	26,101,515
Investment in Western Generation Agency	-	-	9,674,585	9,819,504
Long-term receivable, conservation and other	-	-	5,310,347	5,644,107
Note receivable, water	-	-	5,220,302	5,450,610
Long-term receivable, BPA, net	61,939,315	75,607,606	61,939,315	75,607,606
Deferred charges and other	20,650	28,170	33,994,994	27,315,697
Other assets	61,959,965	75,635,776	141,089,521	149,939,039
Total assets	$ 85,812,797	$ 98,273,299	$ 566,806,980	$ 560,972,390
Liabilities				
Accounts payable	$ 1,144,816	$ 1,201,616	$ 30,763,389	$ 33,484,001
Accrued payroll and benefits	-	-	3,393,108	2,944,907
Accrued interest on long-term debt	877,133	1,024,338	5,960,258	6,447,277
Long-term debt due within one year	7,930,000	7,485,000	14,935,000	12,955,000
Current liabilities	9,951,949	9,710,954	55,051,755	55,831,185
Long-term debt, bonds payable	34,615,689	42,085,345	270,076,449	284,478,073
Note payable, electric	-	-	5,220,302	5,450,610
Other liabilities and deferred credits	-	-	7,577,077	6,066,311
Accumulated provision for decommissioning costs	41,245,159	46,477,000	41,245,159	46,477,000
Total liabilities	85,812,797	98,273,299	379,170,742	398,303,179
Net Assets				
Invested in capital assets, net of related debt	-	-	101,093,946	91,904,597
Restricted for				
Capital projects	-	-	2,414,735	2,568,682
Debt service	-	-	7,987,726	8,642,134
Unrestricted	-	-	76,139,831	59,553,798
Total net assets	-	-	187,636,238	162,669,211
Total liabilities and net assets	$ 85,812,797	$ 98,273,299	$ 566,806,980	$ 560,972,390

Note: Inter system balances have been eliminated from the total systems columns.

The accompanying notes are an integral part of these basic financial statements.

Eugene Water & Electric Board
Electric, Water Systems and Trojan Project
Statements of Revenues, Expenses and Changes in Fund Net Assets
As Restated
Years Ended December 31, 2004 and 2003

	Electric System		Water System	
	2004	2003	2004	2003
Residential	$ 70,407,141	$ 65,572,237	$ 7,811,181	$ 7,744,121
Commercial and industrial	93,571,025	87,652,063	6,726,968	6,654,150
Sales for resale and other	47,100,177	56,344,640	689,018	581,192
Operating revenues	211,078,343	209,568,940	15,227,167	14,979,463
Purchased power	102,049,042	113,319,969	-	-
System control	4,049,527	3,775,859	-	-
Wheeling	9,983,934	13,011,389	-	-
Steam and hydraulic generation	9,983,462	9,674,398	-	-
Transmission and distribution	13,506,069	11,095,746	4,549,483	4,137,644
Source of supply, pumping and purification	-	-	2,691,008	2,419,349
Customer accounting	7,081,874	6,190,618	943,472	882,607
Conservation expenses	1,499,279	1,410,185	491,424	539,963
Administrative and general	12,220,875	12,838,658	2,515,566	2,620,362
Depreciation on utility plant	10,946,247	10,089,090	2,492,339	2,227,293
Operating expenses	171,320,309	181,405,912	13,683,292	12,827,218
Net operating income	39,758,034	28,163,028	1,543,875	2,152,245
Net billing credits	-	-	-	-
Interest and investment revenue	1,901,818	2,054,890	291,402	333,090
Allowance for funds used during construction	333,944	265,799	31,938	231,582
Other revenue	2,355,375	2,941,604	1,751,568	2,074,692
Other revenues	4,591,137	5,262,293	2,074,908	2,639,364
Decommissioning expenses	-	-	-	-
Contributions in lieu of taxes	10,466,872	9,866,496	-	-
Other revenue deductions	4,102,553	4,654,375	5,615	8,598
Accretion expense	-	-	-	-
Interest expense and related amortization	11,283,547	10,529,883	1,847,784	1,902,377
Allowance for borrowed funds used during construction	(478,659)	(463,662)	(26,046)	(208,598)
Other expenses	25,374,313	24,587,092	1,827,353	1,702,377
Income before contributed capital	18,974,858	8,838,229	1,791,430	3,089,232
Contributed capital	2,815,070	2,411,697	1,385,669	1,523,772
Change in net assets	21,789,928	11,249,926	3,177,099	4,613,004
Total net assets at beginning of year	120,095,178	108,845,252	42,574,033	37,961,029
Total net assets at end of year	$ 141,885,106	$ 120,095,178	$ 45,751,132	$ 42,574,033

Note: Inter system activities have been eliminated from the total systems columns.

The accompanying notes are an integral part of these basic financial statements.

Eugene Water & Electric Board
Electric and Water Systems
Statements of Revenues, Expenses and Changes in Fund Net Assets
Years Ended December 31, 2004 and 2003

	Trojan Project (Note 13)		Total Systems	
	2004	2003	2004	2003
Residential	$ -	$ -	$ 78,218,322	$ 73,316,358
Commercial and industrial	-	-	99,025,158	93,021,569
Sales for resale and other	-	-	47,789,195	56,925,832
Operating revenues	-	-	225,032,675	223,263,759
Purchased power	-	-	102,049,042	113,319,969
System control	-	-	4,049,527	3,775,859
Wheeling	-	-	9,983,934	13,011,389
Steam and hydraulic generation	-	-	9,855,351	9,554,947
Transmission and distribution	-	-	17,765,880	14,920,248
Source of supply, pumping and purification	-	-	2,142,367	1,843,337
Customer accounting	-	-	8,025,346	7,073,225
Conservation expenses	-	-	1,990,703	1,950,148
Administrative and general	-	-	14,231,585	14,984,536
Depreciation on utility plant	-	-	13,438,586	12,316,383
Operating expenses	-	-	183,532,321	192,750,041
Net operating income	-	-	41,500,354	30,513,718
Net billing credits	7,405,696	5,419,196	7,405,696	5,419,196
Interest and investment revenue	373,889	423,762	2,567,109	2,811,742
Allowance for funds used during construction	-	-	365,882	497,381
Other revenue	-	-	3,908,498	4,817,851
Other revenues	7,779,585	5,842,958	14,247,185	13,546,170
Decommissioning and related expenses	1,532,735	(208,798)	1,532,735	(208,798)
Contributions in lieu of taxes	4,357	3,471	10,471,229	9,869,967
Other revenue deductions	-	-	4,108,168	4,662,973
Accretion expense	2,848,819	2,222,222	2,848,819	2,222,222
Interest expense and related amortization	3,393,674	3,826,063	16,525,005	16,258,323
Allowance for borrowed funds used during construction	-	-	(504,705)	(672,260)
Other expenses	7,779,585	5,842,958	34,981,251	32,132,427
Income before contributed capital	-	-	20,766,288	11,927,461
Contributed capital	-	-	4,200,739	3,935,469
Change in net assets	-	-	24,967,027	15,862,930
Total net assets at beginning of year	-	-	162,669,211	146,806,281
Total net assets at end of year	$ -	$ -	$ 187,636,238	$ 162,669,211

Note: Inter system activities have been eliminated from the total systems columns.

The accompanying notes are an integral part of these basic financial statements.

Eugene Water & Electric Board
Electric, Water Systems and Trojan Project
Statements of Cash Flows
Years Ended December 31, 2004 and 2003

	Electric System		Water System	
	2004	2003	2004	2003
Cash flows from operating activities				
Receipts from customers	$ 207,657,977	$ 208,029,371	$ 15,177,169	$ 15,065,730
Grant proceeds	384,354	24,863	-	1,309
Other receipts	2,075,845	2,816,747	1,710,467	2,071,652
Power purchases	(100,488,936)	(119,402,248)	-	-
Payments to suppliers	(36,002,417)	(35,121,341)	(6,475,192)	(2,897,825)
Payments to employees	(23,673,731)	(22,968,977)	(5,944,468)	(5,734,586)
Contribution in lieu of taxes	(10,433,976)	(9,672,283)		-
Net cash provided by operating activities	39,519,116	23,706,132	4,467,976	8,506,280
Cash flows from investing activities				
(Increase) decrease in short-term investments	(5,885,288)	3,545,183	-	-
(Increase) decrease in restricted cash and investments	8,645,172	19,421,798	(4,562)	152,196
(Increase) decrease in designated investments	(11,545,912)	(1,427,695)	(495,482)	993,149
Interest earnings on investments	1,797,895	1,932,867	291,404	333,090
Distribution from equity investment in WGA	372,714	345,010	-	-
Net cash (used in) provided by investing activities	(6,615,419)	23,817,163	(208,640)	1,478,435
Cash flows from noncapital financing activities				
Note receipts from water	230,308	230,308	(230,308)	(230,308)
Commercial paper payments	-	(10,000,000)	-	-
Net cash provided by (used in) noncapital financing activities	230,308	(9,769,692)	(230,308)	(230,308)
Cash flows from capital and related financing activities				
Receipts from BPA under net billing agreement	-	-	-	-
Payments of nuclear decommissioning and related costs	-	-	-	-
Proceeds from bonds	-	43,710,731	-	-
Bond principal payments	(4,645,000)	(40,529,000)	(773,679)	(790,000)
Additions to utility plant	(21,507,623)	(28,139,865)	(4,366,784)	(7,787,062)
Interest payments - net of related amortizations	(11,293,026)	(11,878,017)	(1,798,111)	(1,781,154)
Conservation receipts from BPA	2,312,638	2,452,800	-	-
Additions to conservation assets and other	(10,687,768)	(6,679,761)	-	(8,598)
Contributed capital	2,815,070	2,411,697	1,385,669	1,523,772
Net cash (used in) provided by capital and related financing activities	(43,005,709)	(38,651,415)	(5,552,905)	(8,843,042)
Net increase (decrease) in cash and cash equivalents	(9,871,704)	(897,812)	(1,523,877)	911,365
Cash and cash equivalents at beginning of year	16,175,280	17,073,092	2,394,924	1,483,559
Cash and cash equivalents at end of year	$ 6,303,576	$ 16,175,280	$ 871,047	$ 2,394,924
Reconciliation of operating income to net cash provided by operating activities				
Net operating income	$ 39,758,034	$ 28,163,028	$ 1,543,875	$ 2,152,245
Adjustments to reconcile net operating income to net cash provided by operating activities				
Depreciation	10,683,520	10,036,535	2,510,983	2,245,977
Contributions in lieu of taxes	(10,433,976)	(9,672,283)	-	-
Other revenue	2,421,330	3,026,401	1,736,781	2,074,692
Equity (income) loss from WGA	(227,795)	36,792	-	-
(Increase) decrease in assets				
Receivables	(4,544,087)	(2,379,592)	(266,269)	84,536
Materials and supplies	(102,951)	(15,206)	52,151	(104,496)
Prepayments and special deposits	1,057,080	(2,241,234)	400,719	197,505
Conservation loans, net	777,458	334,651	9,850	(12,047)
Prepaid retirement obligation	921,229	921,229	-	230,308
Deferred charges	(2,053,617)	(2,050,291)	(8,376)	75,047
Increase (decrease) in liabilities				
Accounts payable, accrued payroll and benefits	357,366	(3,992,519)	(1,710,070)	1,504,736
Deferred credits and other	905,525	1,538,621	198,332	57,777
Net cash provided by operating activities	$ 39,519,116	$ 23,706,132	$ 4,467,976	$ 8,506,280

Note: Inter system activities have been eliminated from the total systems columns.

The accompanying notes are an integral part of these basic financial statements.

Eugene Water & Electric Board
Electric, Water Systems and Trojan Project
Statements of Cash Flows
Years Ended December 31, 2004 and 2003

	Trojan Project (Note 13)		Total Systems	
	2004	2003	2004	2003
Cash flows from operating activities				
Receipts from customers	$ -	$ -	$ 221,507,318	$ 221,736,262
Grant proceeds	-	-	384,354	26,172
Other receipts	-	-	3,587,867	4,689,954
Power purchases	-	-	(100,488,936)	(119,402,248)
Payments to suppliers	-	-	(41,006,329)	(36,536,077)
Payments to employees	-	-	(29,618,199)	(28,703,563)
Contribution in lieu of taxes	-	-	(10,433,976)	(9,672,283)
Net cash provided by operating activities	-	-	43,932,099	32,138,217
Cash flows from investing activities				
(Increase) decrease in short-term investments	-	-	(5,885,288)	3,545,183
(Increase) decrease in restricted cash and investments	2,000,330	5,977,308	10,640,940	25,551,302
(Increase) decrease in designated investments	(5,911)	5,622	(12,047,305)	(428,924)
Interest earnings on investments	373,889	423,762	2,463,188	2,689,719
Distribution from equity investment in WGA	-	-	372,714	345,010
Net cash (used in) provided by investing activities	2,368,308	6,406,692	(4,455,751)	31,702,290
Cash flows from noncapital financing activities				
Note receipts from water	-	-	-	-
Commercial paper payments	-	-	-	(10,000,000)
Net cash provided by (used in) noncapital financing activities	-	-	-	(10,000,000)
Cash flows from capital and related financing activities				
Receipts from BPA under net billing agreement	20,599,830	14,773,098	20,599,830	14,773,098
Payments of nuclear decommissioning and related costs	(9,500,972)	(13,601,223)	(9,445,979)	(13,527,028)
Proceeds from bonds	-	-	-	43,710,731
Bond principal payments	(7,485,000)	(7,065,000)	(12,903,679)	(48,384,000)
Additions to utility plant	-	-	(25,874,407)	(35,926,927)
Interest payments - net of related amortizations	(3,073,015)	(3,489,850)	(16,164,152)	(17,149,021)
Conservation receipts from BPA	-	-	2,312,638	2,452,800
Additions to conservation assets and other	-	-	(10,687,768)	(6,688,359)
Contributed capital	-	-	4,200,739	3,935,469
Net cash (used in) provided by capital and related financing activities	540,843	(9,382,975)	(47,962,778)	(56,803,237)
Net increase (decrease) in cash and cash equivalents	2,909,151	(2,976,283)	(8,486,430)	(2,962,730)
Cash and cash equivalents at beginning of year	6,244,065	9,220,348	24,814,269	27,776,999
Cash and cash equivalents at end of year	$ 9,153,216	$ 6,244,065	$ 16,327,839	$ 24,814,269
Reconciliation of operating income to net cash provided by operating activities				
Net operating income	$ -	$ -	$ 41,301,909	$ 30,315,273
Adjustments to reconcile net operating income to net cash provided by operating activities				
Depreciation	-	-	13,194,503	12,282,512
Contributions in lieu of taxes	-	-	(10,433,976)	(9,672,283)
Other revenue	-	-	4,158,111	5,101,093
Equity (income) loss from WGA	-	-	(227,795)	36,792
(Increase) decrease in assets				
Receivables	-	-	(4,810,356)	(2,295,056)
Materials and supplies	-	-	(50,800)	(119,702)
Prepayments and special deposits	-	-	1,457,799	(2,043,729)
Conservation loans, net	-	-	787,308	322,604
Prepaid retirement obligation	-	-	921,229	1,151,537
Deferred charges	-	-	(2,061,993)	(1,975,244)
Increase (decrease) in liabilities				
Accounts payable, accrued payroll and benefits	-	-	(1,352,704)	(2,487,783)
Deferred credits and other	-	-	1,103,857	1,596,398
Net cash provided by operating activities	$ -	$ -	$ 43,987,092	$ 32,212,412

Note: Inter system activities have been eliminated from the total systems columns.

The accompanying notes are an integral part of these basic financial statements.

1. Reporting Entity

The Eugene Water & Electric Board (the "Board") is an administrative unit of the City of Eugene, Oregon. However, as established by the Governmental Accounting Standards Board's ("GASB") definition of a reporting entity, the Board is considered a primary government and is not a component unit of another entity, nor are there any component units of which the Board is financially accountable.

The Board provides energy and water service primarily to residential, commercial and industrial customers located in a 238 square mile area, including the City of Eugene and adjacent suburban areas. The Board has the authority to fix rates and charges. In order to secure power resources, the Board has taken ownership of various generation facilities. In addition, the Board has entered into joint ventures, whereby it has taken or anticipates taking an equity position in various generation facilities. The operations and sale of energy generated from the Board's relationship with each of the facilities is subject to certain risks. Operations are contingent on various factors, such as regulation, flow levels, licensing agreements and weather patterns.

The Board owns 30.0% of the Trojan Nuclear Plant located along the Columbia River near Kelso, Washington. The project no longer operates and is being decommissioned pursuant to the Trojan Decommissioning Plan approved by the NRC in 1996. See further discussion in Note 13.

The Board is subject to various forms of regulation under federal, state and local laws and is subject to various Federal Energy Regulatory Commission regulations. Laws and regulations are subject to change and may have a direct impact on the operations of the Board.

The Bonneville Power Administration ("BPA") acts as a power wholesaler, and the Board is committed to purchase minimum amounts of power from BPA under various forms of net billing agreements.

The Board is responsible for the ownership and operation of the Electric and Water Systems, and the basic financial statements include these two Systems and the Trojan Project.

2. Restatement

In prior years, the Board's basic financial statements did not include transactions related to the Trojan Project Fund (discussed in Note 13). In 2004 the Board determined that the Trojan Project Fund should be included. The impact of the restatement is inclusion of an additional enterprise fund column in the basic financial statements and inclusion of additional note disclosures, primarily in Note 13.

Summary of the Trojan Project Fund Restatement

For 2004 and 2003 the nature of the error in previously issued financial statements and the effect of its correction had no impact to the Board's basic financial statements on changes in net assets or net assets at the end of the year. A summary of the total systems amount presented in the 2004 and 2003 financial statements, which are restated, is as follows:

	2004 as Previously Reported	2004 as Restated	2003 as Previously Reported	2003 as Restated
Balance sheets				
Assets				
Current assets	$ 87,986,228	$ 95,700,328	$ 78,076,562	$ 84,618,770
Total assets	477,009,201	566,806,980	458,645,478	560,972,390
Liabilities				
Current liabilities	45,144,434	55,051,755	46,128,088	55,831,185
Long-term debt, bonds payable	235,460,760	270,076,449	242,392,728	284,478,073
Accumulated provision for decommissioning costs	-	41,245,159	-	46,477,000
Total liabilities	289,372,963	379,170,742	295,976,267	398,303,179
Total liabilities and net assets	477,009,201	566,806,980	458,645,478	560,972,390
Statement of revenues, expenses and changes in fund net assets				
Other revenues	6,666,045	14,445,630	7,901,657	13,508,969
Other expenses	27,201,666	34,981,251	26,289,469	31,896,781
Statement of cash flows				
Net cash (used in) provided by investing activities	(6,824,059)	(4,455,751)	25,295,598	31,702,290
Net cash (used in) provided by capital and related financing activities	(48,558,614)	(48,017,771)	(47,494,457)	(56,877,432)
Net increase (decrease) in cash and cash equivalents	(11,395,581)	(8,486,430)	13,553	(2,962,730)

3. Summary of Significant Accounting Policies

Method of Accounting

The Board maintains its accounting records in accordance with generally accepted accounting principles for enterprise funds. The Board has applied all applicable GASB pronouncements, as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed under GASB No. 20, the Board has elected to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

The Board accounts for its Electric and Water systems and the Trojan Project as proprietary funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain prior year amounts have been reclassified to conform to current year presentation. Such reclassifications do not affect changes in net assets as previously reported.

Cash and Cash Equivalents
For purposes of the Statements of Cash Flows, the Board considers all highly liquid investments (other than restricted and designated assets) with original maturities of three months or less when purchased to be cash equivalents.

Operating Revenue
Operating revenue is recorded on the basis of service delivered. Utility revenues are derived primarily from the sale and transmission of electricity. Utility revenue from power sales and transmission is recognized when the power is delivered to and received by the customer. Estimated revenues are accrued for power deliveries not yet billed to customers from meter reading dates prior to month end (unbilled revenue) and are reversed the following month when actual billings occur. The credit practices of the Board require an evaluation of each new customer's credit worthiness on a case-by-case basis. At the discretion of management, a deposit may be obtained from the customer. Concentrations of credit risk with respect to receivables for residential customers are limited due to the large number of customers comprising the Board's customer base. Credit losses have been within management's expectations. Similar to its evaluation of residential, commercial and industrial customers credit reviews, the Board continually evaluates its wholesale power customers (sales for resale revenue) by reviewing credit ratings and financial credit worthiness of existing and new customers.

Revenues are recorded net of the allowance for doubtful accounts: $495,000 and $534,000 at December 31, 2004 and 2003 respectively for the Electric System, $31,000 and $42,000 at December 31, 2004 and 2003 respectively for the Water System. The allowance is determined by an examination of write off experience in the preceding five years, and consideration of other influences as appropriate. Total amounts written off at December 31, 2004 and 2003, respectively were $337,000 and $480,000 for the Electric System, $22,000 and 31,000 at December 31, 2004 and 2003, respectively for the Water System.

Approximately 18.1% of 2004 and 17.9% of 2003 Electric System's retail revenues, primarily residential, commercial and industrial, were the result of sales to two industrial customers. Approximately 3.9% of 2004 and 3.5% of 2003 Water System's operating revenues were the result of sales to one industrial customer.

Power Risk Management
The Board's Power Risk Management Guidelines set forth policies, limits and control systems governing power purchasing and sales activities for the Electric System. The objectives of such policies are to maximize benefits to customers from wholesale activities while minimizing the risk that wholesale activities will adversely affect retail prices. The Board does not enter into contracts for trading purposes.

In accordance with its policy guidelines, the Board utilizes derivative instruments to minimize its exposure to commodity price risk. These instruments include electricity forward, swap and option contracts and natural gas swap and option contracts. The contracts are considered derivative instruments under the provisions of FASB No. 133, *Accounting for Derivative Instruments and*

Hedging Activities, as amended, which requires that an entity recognize derivatives as assets or liabilities on its balance sheet and measure those instruments at fair value, unless they qualify for exceptions afforded by standard. Certain of the Board's forward purchase and sales contracts qualify under the normal purchases and sales exception under FASB No. 133 and FASB No. 149. Accordingly, the Board does not mark such contracts to market. The Board marks to fair value all other contracts which qualify as derivatives. These contracts extend through 2006, and have aggregate notional amounts totaling $4,405,000 ($18,776,300 at December 31, 2003). At December 31, 2004, net unrealized losses from derivative instruments required to be recorded at fair value by the standard aggregate $4,800,695 ($3,879,917 unrealized gains at December 31, 2003) for the Electric System. The Water System does not have any derivative contracts.

The Board reports unrealized gains and losses from its mark-to-market valuations as derivative assets or liabilities on its Balance Sheets. Such unrealized gains and losses are subject to regulatory deferral because they will be recoverable in rates when the forward contracts are executed in the future and, accordingly, are recognized as deferred charges or credits until realized upon execution of the related contracts.

In August 2003 the Financial Standards Accounting Board ratified Emerging Issues Task Force No. 03-11 ("EITF 03-11"), *Reporting Realized Gains and Losses on Derivative Instruments That Are Subject to FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, and Not 'Held for Trading Purposes*. EITF 03-11 requires that revenues and expenses associated with nontrading energy activities that are "booked out" (not physically settled) be reported on a net basis. EITF 03-11 is effective for all derivative contracts that settle after September 30, 2003, and does not require the reclassification of prior period amounts. While EITF 03-11 does not require the reclassification of prior periods, the Board has elected to reclassify the results of all prior periods presented. Effective with the adoption of EITF 03-11, the non-physical settlement of nontrading electricity derivative activities, formerly reported on a gross basis in both operating revenues and purchased power expense, are now recorded on a net basis. Net power purchases are included in purchase power expense and net power sales are included in sales for resale. This change, which has no effect on net operating income or cash flows, resulted in a $45,170,520 decrease in both operating revenues and purchased power expense for 2004 ($26,146,768 for 2003). Prospective application of EITF 03-11 will continue to result in a significant decrease in reported nontrading wholesale energy sales and purchases and related amounts reported in comparative financial statements.

Deferred Charges

The Board has deferred costs to be charged to future periods as allowed by FASB Statement No. 71, *Accounting for the Effects of Certain Types of Regulation*, which follows the premise that a utility should recognize expenses at the time when the ratemaking process authorizes them to be recovered with related revenues.

Conservation Assets

The Electric System defers substantially all of its costs associated with demand-side programs. Any reimbursements are credited (or netted) against the "conservation assets" and the net amount (asset) is amortized over five years. The net balance of conservation assets (costs less reimbursements, less amortization) at December 31, 2004 is $17,668,300 ($17,335,100 at December 31, 2003). Amortization expense of $3,876,900 in 2004 ($4,036,600 in 2003) is included in other revenue deductions.

With renewed analysis of the useful lives connected to the various kinds of conservation assets the Board invests in, the estimated life of 5 years for purposes of amortization was changed to 10 years in 2004. The variety of conservation programs and incentives the Board participates in has grown in recent years; periodic review of the benefit period is in the normal course of business.

Deferred Charges on Long-Term Debt
The Board has recorded deferred charges for certain bond issuance costs, which are being amortized over the life of the respective issue. The Electric System had an aggregate deferral of $2,835,800 at December 31, 2004 ($3,082,100 at December 31, 2003), and recorded $271,082 as amortization expense in 2004 ($252,000 in 2003). The Water System had an aggregate deferral of $521,700 at December 31, 2004 ($565,600 at December 31, 2003), and $43,900 was expensed in 2004 ($49,100 in 2003).

Sick Pay
The Board has recorded deferred charges for the future payment of sick leave expense of $1,264,300 at December 31, 2004 ($1,230,800 at December 31, 2003) for the Electric System and of $316,100 at December 31, 2004 ($307,700 at December 31, 2003) for the Water System.

Interest Rate Swap
In 2004, he Board entered into a fixed-to-floating LIBOR interest rate swap to help convert a portion its fixed long-term debt portfolio to floating rates. This reduces the Board's interest rate costs relative to the Series 1998A bonds and provides a variable rate debt component within its overall debt portfolio. In the swap transaction, the counterparty pays the Board a fixed 3.65 % interest rate on $10,945,000 declining notational amount for four years. The Board will pay the counter-party if the 30-day LIBOR interest rate is higher than 3.65%. The Board accounts for the interest rate swap at fair value and has deferred changes in fair value of $17,400 for the interest rate swap. This amount is recognized as a regulatory asset in deferred charges and as a liability to counterparty in deferred credits.

Preliminary Surveys
The Board has deferred certain costs associated with its investigation of several projects which it believes will be viable in the future, including deferred preliminary surveys of $5,359,400, primarily relating to the Carmen-Smith relicensing process, at December 31, 2004 ($753,900 at December 31, 2003).

Utility Plant and Depreciation
Utility plant is stated at original cost. Costs include labor, materials and related indirect costs, such as engineering, transportation and allowance for funds (i.e., interest) used during construction. The cost of additions, renewals and betterments is capitalized. Repairs and minor replacements are charged to operating expenses. The cost of property and removal cost, less salvage, is charged to accumulated depreciation when property is retired. Included in the Board's construction work-in-progress balance are costs associated with obtaining or renewing licensing agreements, as well as meeting other regulatory requirements. Once the new or renewed licensing agreements are obtained, the Board transfers those costs to its depreciable utility plant to be depreciated over the estimated useful lives of the plant components. Impairment losses as defined by FAS 144, whereby the carrying value of a long-lived asset group is not recoverable through the undiscounted cash flows expected from its use or disposal, are measured when the events or circumstances (typically changes in use of the asset or cash flow losses) make the value of the asset suspect. The Board did not have events or circumstances indicating the need to test for recoverability during 2004.

Depreciation is computed using straight-line group rates, which are equivalent to approximately 2.4% of the Electric System and 2.5% of the Water System original costs of depreciable utility plant.

Asset Retirement Obligations
Effective January 1, 2003, the Board adopted Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations*. SFAS No. 143 requires the recognition of an Asset Retirement Obligation ("ARO") for legal obligations associated with the retirement of tangible long-lived assets, including the recording of fair value of the liability, if reasonably estimable, for an ARO in the period in which it is incurred. The ARO liability is recorded as a capitalized cost increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. In the Board's judgment, it does not have any material legal obligations associated with the retirement of its tangible long-lived assets of the Electric and Water systems, except for certain assets with indefinite system lives for which the Board cannot estimate the ARO because the settlement date is indeterminable. The adoption of SFAS No. 143 did not have a material impact on the Board's financial condition or results of operations. See Note 13 for a discussion of ARO associated with the Trojan Project.

Debt Refundings
For current and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt (gain or loss) is deferred and amortized as a component of interest expense over the remaining life of the old debt or the new debt, whichever is shorter, consistent with GASB Statement No. 23, and reported as a component of the new debt liability on the Balance Sheet.

Environmental Expenses
Environmental costs (i.e. fish and plant habitat enhancements) are expensed or capitalized depending upon their future economic benefits. Liabilities for such expenses are recorded when it is probable that obligations have been incurred and the costs can be reasonably estimated.

Net Assets
Net assets consist primarily of cumulative operating revenues collected by the Electric and Water Systems for (a) payment of utility plant additions or principal amortization of debt incurred for plant additions, in advance of net accumulated depreciation recognized on such plant, and (b) interest income earned on investments. It is the Board's intention to set rates at a level to continue replacing and improving net plant.

The Trojan Project Fund does not currently have net assets as all project costs and debt service are reimbursed by BPA (Note 13).

Fair Value of Financial Instruments
The carrying amounts of current assets, including restricted cash and investments, and current liabilities approximate fair value due to the short-term maturity of those instruments. The fair value of the Board's investments and debt are estimated based on the quoted market prices for the same or similar issues.

4. Cash and Investments

The Board maintains cash and investments in several fund accounts in accordance with bond resolutions and Board authorization. Descriptions of these fund account types are as follows:

See Note 13 for discussion of Trojan Project cash and investments.

Restricted Cash and Investments
Construction Funds
Used to account for legally restricted cash and investments for the purpose of construction of capital projects.

Investments for Debt Service
Used to account for cash and investments, which the Board has designated for future payment of principal and interest on debt.

Designated Investments
Purchased Power Reserve Fund
Used to account for cash and investments, which the Board has designated to reserve for fluctuations in purchased power costs.

Capital Improvement Fund
Used to account for cash and investments, which the Board has designated for capital improvements.

Operating Fund
Used to account for cash and investments, which the Board has designated for payment of operating costs and self-insured retention claims to maintain balances in the general account within target levels.

Pension and Medical Reserve Fund
Used to account for cash and investments that the Board has designated for pension and postretirement medical costs.

Deposits with financial institutions are comprised of bank demand deposits and savings accounts. The total bank balance, as recorded in the bank records at December 31, 2004, is $5,565,920 ($1,398,564 at December 31, 2003) for both the Electric and Water Systems. Of the bank balance, $100,000 was covered by federal depository insurance, and $5,465,920 was collateralized with securities held by the pledging financial institution but not in the Board's name. At December 31, 2004, the Board held $35,000,000 in collateral certificates.

The Board's investments during the year for all funds, which included obligations of the U.S. Government, are authorized by State Statutes and bond resolutions. The Board's investments are categorized to give an indication of the level of risk assumed by the Board at year end. Category 1 includes investments that are insured or registered, or for which securities are held by the Board or its agent in the Board's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Board's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent, but not in the Board's name. The Board's investments are held in safekeeping in book entry form by the financial institution counterparty and are considered to be

Category 3 investments under the above criteria. The Board's investment in the State of Oregon Local Government Investment Pool ("LGIP") is not required to be categorized by level or risk because this investment is not evidenced by securities.

Investments, except for the investment in LGIP, are carried at fair value as allowed by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, using quoted market prices in 2004 and 2003. Also, as allowed by GASB Statement No. 31, the investment in LGIP is carried at amortized cost, which approximates fair value at December 31, 2004 and 2003.

The Board places its investments with financial institutions and limits the amount of credit exposure with any one financial institution. The Board actively evaluates the credit worthiness of the financial institutions with which it invests.

Cash and investments consist of the following at December 31, 2004:

	Restricted Cash and Investments	Cash and Cash Equivalents	Short-Term Investments	Designated Funds	Total Carrying Amount
Electric System					
Cash on hand	$ -	$ 11,800	$ -	$ -	$ 11,800
Cash in bank	-	4,679,683	-	-	4,679,683
Investment - Bank Certificate of Deposit	-	-	2,033,788	-	2,033,788
Investments - direct obligations of U.S. government	6,913,732	-	6,868,405	2,008,321	15,790,458
Investments in the State of Oregon Local Government Investment Pool	2,113,180	1,612,093	-	11,830,903	15,556,176
Total electric system	9,026,912	6,303,576	8,902,193	13,839,224	38,071,905
Water System					
Cash in bank	-	278,641	-	-	278,641
Investments - direct obligations of U.S. government	9,034,030	-	-	6,496,585	15,530,615
Investment in the State of Oregon Local Government Investment Pool	738,770	592,406	-	6,386,428	7,717,604
Total water system	9,772,800	871,047	-	12,883,013	23,526,860
	$ 18,799,712	$ 7,174,623	$ 8,902,193	$ 26,722,237	$ 61,598,765

Cash and investments consist of the following at December 31, 2003:

	Restricted Cash and Investments	Cash and Cash Equivalents	Short-Term Investments	Designated Funds	Total Carrying Amount
Electric System					
Cash on hand	$ -	$ 11,800	$ -	$ -	$ 11,800
Investments - direct obligations of U.S. government	9,589,588	-	3,016,905	-	12,606,493
Investments in the State of Oregon Local Government Investment Pool	8,082,497	16,163,480	-	2,293,312	26,539,289
Total electric system	17,672,085	16,175,280	3,016,905	2,293,312	39,157,582
Water System					
Investments - direct obligations of U.S. government	8,577,306	-	-	7,729,448	16,306,754
Investment in the State of Oregon Local Government Investment Pool	1,190,930	2,394,924	-	4,658,083	8,243,937
Total water system	9,768,236	2,394,924	-	12,387,531	24,550,691
	$ 27,440,321	$ 18,570,204	$ 3,016,905	$ 14,680,843	$ 63,708,273

5. Electric Utility Plant

The major classifications and depreciable lives of plant in service at December 31 are as follows:

	Depreciable Life-Years	Balance at December 31, 2003	Increases	Decreases	Balance at December 31, 2004
Land	-	$ 6,028,345	$ 105,046	$ -	$ 6,133,391
Steam production	10-25	21,559,505	-	(2,943,677)	18,615,828
Hydro production	36-50	119,360,717	10,939,186	(137,387)	130,162,516
Wind production	25	13,087,182	-	-	13,087,182
Transmission	33-50	51,691,375	1,986,401	-	53,677,776
Distribution	28.5	153,044,935	11,301,279	-	164,346,214
General plant	3-50	65,100,379	2,833,648	(212,693)	67,721,334
Total plant in service		429,872,438	27,165,560	(3,293,757)	453,744,241
Accumulated depreciation		(234,390,397)	(11,319,289)	3,314,363	(242,395,323)
Property held for future use		739,429	-	-	739,429
Construction work in progress		35,233,928	22,679,098	(28,235,351)	29,677,675
Net utility plant		$ 231,455,398	$ 38,525,369	$ (28,214,745)	$ 241,766,022

6. Water Utility Plant

	Depreciable Life-Years	Balance at December 31, 2003	Increases	Decreases	Balance at December 31, 2004
Land	-	$ 527,911	$ 109,500	$ -	$ 637,411
Structure	50	22,002,472	381,031	-	22,383,503
Pumping	20	5,901,645	257,622	-	6,159,267
Purification	25	1,128,635	28,567	-	1,157,202
Transmission	28.5	17,196,188	-	-	17,196,188
Reservoirs	50	10,897,483	73,978	-	10,971,461
Distribution	28.5	27,838,795	2,007,259	-	29,846,054
Services, meters and hydrants	20-28.5	7,106,602	836,235	-	7,942,837
General plant	3-50	4,379,075	203,079	(50,416)	4,531,738
Total plant in service		96,978,806	3,897,271	(50,416)	100,825,661
Accumulated depreciation		(58,663,269)	(2,570,770)	59,787	(61,174,252)
Property held for future use		1,012,606	-	(109,500)	903,106
Construction work in progress		12,103,261	4,213,401	(3,513,884)	12,802,778
Net utility plant		$ 51,431,404	$ 5,539,902	$ (3,614,013)	$ 53,357,293

7. Investment in Western Generation Agency

The Board is a party to an Intergovernmental Agency Agreement, whereby the Board was obligated to make equity investments in the Western Generation Agency (the “Agency”) as partial funding for the construction of the Wauna Cogeneration Project (the “Project”). As of December 31, 1996, the Board had made all required equity investments, totaling $15,100,000, to the Agency. The Project agreements allow the Board to be repaid its equity investment plus a cumulative preferred dividend at 7.875% should the operating revenues of the Project be sufficient to cover operating costs, debt service, plus other reserve requirements. During 2004 distributions totaling $372,714 were received, all of which was a preferred equity distribution. The repayment of the entire equity investment is contingent upon the successful operation of the Project and is not guaranteed. Should the Project fail to generate sufficient revenues, the repayment of the equity contribution may occur only in part or not at all. At December 31, 2004, the Board has recorded a receivable in the amount of $583,965 ($598,641 at December 31, 2003) for the preferred dividend, which is included in other revenue.

The balance of the investment in Western Generation Agency as of December 31, 2004 was $9,674,585 and has been decreased by the equity distributions described above and increased by the Board’s 50% share of Agency’s 2004 net income, or $227,795. The Board is committed, through a power purchase agreement, to purchase the output from the Project through the year 2021. The Board has agreed to suspend its agreement with the Agency in favor of a separate purchase power agreement between the Agency and the BPA through the year 2016. Financial information for the Project is included in the financial statements of the Agency and may be obtained from the Agency’s trustee, Wells Fargo Bank.

8. Long-Term Receivable, Conservation and Other

The Board has various efforts associated with conservation and renewable energy for which it expects payment in periods beyond the coming year.

The Board loans money to its customers for purposes of installing energy efficiency improvements to the customers' properties. The balance of such Conservation Loans on the part of the Electric System were $4,307,900 net of the current $1,688,000 portion at December 31, 2004 and $4,415,000 net of the current $2,358,000 portion at December 31, 2003.

Under an agreement with Bonneville Power Association, the Electric System receives semi-annual payments with interest for cost-effective conservation resources acquired during the years 1994 through 1999. The last payment on the note is scheduled for October 2013. The balance of the note was $1,011,400 at December 31, 2004, $83,400 of which is receivable in the coming year. The balance at December 31, 2003 was $1,099,800 of which $83,400 was included with current Receivables.

The Electric System receives payment from the US Department of Energy under the Renewable Energy Production Incentive ("REPI") Program for energy produced at its Foote Creek Rim Wind Project located in Wyoming. At December 31, 2004 the System estimated its receivable to be $383,100, of which $308,700 is classified as current and $74,400 is expected in 2006. At December 31, 2003 the receivable was $474,800: $345,500 current and $129,000 for receipt in 2005.

See Note 13 for discussion of Trojan Project's long-term receivable from BPA.

9. Long-Term Debt

Long-term portion of bonds payable at December 31:

	2004	2003
Electric Utility System Revenue and Refunding Bonds		
1996 Series, 12-10-96 issue		
Serial Bonds, 4.80% - 5.375%, due 2005-2013	$ 8,925,000	$ 9,815,000
Term Bonds, 5.60%, due 2014-2016	4,425,000	4,425,000
1997 Series, 10-1-97 issue, 4.45% - 5.00%, due 2005-2011	7,565,000	8,630,000
1998 Series, 2-1-98 issue		
Serial Bonds, 4.25% - 4.85%, due 2005-2015	9,655,000	9,710,000
Term Bonds, 5.00% - 5.05%, due 2016-2022	23,875,000	23,875,000
1998 Series A, 11-15-98 issue		
Serial Bonds, 5.66% - 5.97%, due 2005-2009	1,465,000	1,780,000
Term Bonds, 6.22% - 6.85%, due 2010-2023	9,165,000	9,165,000
2001 Series A, 11-15-01 issue		
Term Bonds, 6.32%, due 2005-2022	25,840,000	25,930,000
Capital appreciation, 7.13% - 7.20%, due 2023-2027	4,067,556	4,067,556
2001 Series B, 11-15-01 issue		
Serial Bonds, 4.00% - 5.25%, due 2005-2022	19,485,000	20,245,000
Term bonds, 5.00%, due 2023-2031	19,140,000	19,140,000
2002 Series A, 5-7-02 issue		
5.20%, due 2005-2011	8,800,000	10,010,000
2002 Series B, 6-1-02 issue		
4.375% - 5.96%, due 2005-2012	8,945,000	9,990,000
2002 Series C, 6-1-02 issue		
2.8% - 5.0%, due 2005-2022	11,420,000	11,885,000
2003 Series, 6-10-03 issue		
2.0% - 5.0%, due 2005-2022	40,410,000	40,660,000
	203,182,556	209,327,556
Add unamortized premium	3,113,613	3,461,927
Less unamortized refunding costs	(2,027,242)	(2,298,657)
Less unamortized discount	(897,619)	(996,227)
Electric System Bonds payable	203,371,308	209,494,599
Water Utility System Revenue and Refunding Bonds		
1997 Series, 10-1-97 issue, 4.45% - 4.55%, due 2005-2006	905,000	1,765,000
2000 Series, 6-1-00 issue, 5.20% - 5.875%, due 2007-2030	21,405,000	21,405,000
2002 series, 8-1-02 issue, 2.75% - 4.7%, due 2007-2022	10,000,000	10,000,000
Note payable - Electric		
11-15-01 issue, 6.32% - 7.21%, due 2005-2027	5,220,302	5,450,610
	37,530,302	38,620,610
Less unamortized discount	(187,819)	(201,141)
Less unamortized refunding costs	(32,729)	(70,730)
Water System Bonds payable	37,309,754	38,348,739
Total long-term portion of debt	240,681,062	247,843,338
Less inter system payable	5,220,302	5,450,610
Total long-term debt per balance sheets	$ 235,460,760	$ 242,392,728

Current and long-term debt, excluding the inter system payable, at December 31 is as follows:

	2004		2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Electric System	$ 209,516,308	$ 225,339,334	$ 214,139,599	$ 251,872,058
Water System	32,949,452	36,026,552	33,723,129	47,098,185
Total bonds payable	$ 242,465,760	$ 261,365,886	$ 247,862,728	$ 298,970,243

Total principal requirements reflective of the foregoing bonds, during the years 2005 through 2009 and thereafter, are as follows:

	Electric System	Water System	Total Systems
2005	$ 6,145,000	$ 860,000	$ 7,005,000
2006	7,535,000	905,000	8,440,000
2007	8,710,000	910,000	9,620,000
2008	9,310,000	940,000	10,250,000
2009	9,940,000	985,000	10,925,000
Thereafter	167,687,556	28,570,000	196,257,556
	$ 209,327,556	$ 33,170,000	$ 242,497,556

The resolutions authorizing the issuance of revenue bonds contain various covenants, sinking fund requirements and obligations with which the Board must comply.

The Board entered, but had not drawn on a nonrevolving demand line of credit on December 23, 2003 with a combination of prime and the LIBOR interest rate for a maximum of $30 million. The Board's previous $60,000,000 line of credit expired October 31, 2003 with no balance outstanding.

In June 2003 the Board issued $40,865,000 in Electric Utility Revenue and Refunding Bonds with interest rates from 2.0% to 5.0%, to advance refund the 1994 Series Bonds and the 1998B Series Bonds and for capital improvements in the Electric System. The Board deposited $2,300,000 in escrow from the issuance of the 1998B bonds to reduce the amount of the 2003 refunding.

Although the refunding resulted in an accounting loss of $384,700 to be amortized over the life of the defeased bond issues, the Board reduced its aggregate debt service payments by $5,016,300 over 20 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $2,431,500.

As of December 31, 2003, the amount of defeased debt still outstanding but removed from the Board's long-term debt amounted to $31,500,000 for the Electric System Distribution Division. At August 1, 2004, this debt matured.

Long-term debt activity for the year is as follows:

	Outstanding January 1, 2004	Issued During Year	Redeemed During Year	Outstanding December 31, 2004
Electric Revenue Bonds, with interest rates from 3.90% to 6.70%, maturing through 2031 (original issue $190,230,000)	$ 76,890,000	$ -	$ (2,330,000)	$ 74,560,000
Electric Revenue Refunding Bonds, with interest rates from 2.0% to 5.25%, maturing through 2022 (original issue $127,190,000)	107,085,000	-	(2,315,000)	104,770,000
Electric Revenue Current Interest Bonds, with interest rate of 6.23%, maturing through 2027 (original issue $29,997,556)	29,997,556	-	-	29,997,556
Total Electric System	213,972,556	-	(4,645,000)	209,327,556
Water Revenue Refunding Bonds, with interest rates from 4.45% to 4.55%, maturing through 2006 (original issue $6,615,000)	2,590,000	-	(825,000)	1,765,000
Water Revenue Bonds, with interest rates from 2.75% to 5.87%, maturing through 2030 (original issue $31,405,000)	31,405,000	-	-	31,405,000
Total Water System	33,995,000	-	(825,000)	33,170,000
Total bonded debt	$ 247,967,556	$ -	$ (5,470,000)	$ 242,497,556

	Outstanding January 1, 2003	Issued During Year	Matured During Year	Outstanding December 31, 2003
Electric Revenue Bonds, with interest rates from 3.90% to 6.70%, maturing through 2031 (original issue $190,230,000)	$ 115,284,000	$ -	$ (38,394,000)	$ 76,890,000
Electric Revenue Refunding Bonds, with interest rates from 2.0% to 5.25%, maturing through 2022 (original issue $127,190,000)	68,355,000	40,865,000	(2,135,000)	107,085,000
Electric Revenue Current Interest Bonds, with interest rate of 6.23%, maturing through 2027 (original issue $29,997,556)	29,997,556	-	-	29,997,556
Total Electric System	213,636,556	40,865,000	(40,529,000)	213,972,556
Water Revenue Refunding Bonds, with interest rates from 4.45% to 4.55%, maturing through 2006 (original issue $6,615,000)	3,380,000	-	(790,000)	2,590,000
Water Revenue Bonds, with interest rates from 2.75% to 5.87%, maturing through 2030 (original issue $31,405,000)	31,405,000	-	-	31,405,000
Total Water System	34,785,000	-	(790,000)	33,995,000
Total bonded debt	$ 248,421,556	$ 40,865,000	$ (41,319,000)	$ 247,967,556

See Note 13 for discussion of long-term debt of Trojan Project.

10. Power Supply Resources

The Board maintains purchase power agreements with BPA and various other regional utilities. These agreements began expiring during 2001 and will continue through 2031 and may be renewed at the Board's option, prior to expiration. A significant portion of the power received from BPA is provided under the "Slice" contract. The Slice contract provides for certain periodic adjustments and true-ups based on actual BPA costs. All BPA assessed true-ups have been fully accrued for 2004; however, certain of these costs are subject to refund by BPA upon certain findings.

Expected costs for power supply contracts are as follows:

2005	$ 87,785,000
2006	90,666,000
2007	94,972,000
2008	94,854,000
2009	94,825,000
Thereafter	330,535,000

Amounts to be paid under the Board's power supply contracts are subject to significant variation based on changes in rates and volumes, therefore the above should be considered estimates.

During 2004 the Board purchased approximately 53% of its power requirements from BPA, approximately 36% from sources other than BPA, and generated approximately 11% (54%, 35% and 11%, respectively, in 2003).

11. Retirement Benefits

Plan Description

The Board's pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to members or their beneficiaries. The Board is a participating employer in the Oregon Public Employees Retirement System ("OPERS") and Oregon Public Service Retirement Plan ("OPSRP"). The OPERS Board administers both plans, which are established under Oregon Revised Statutes and acts as a common investment and administrative agent for public employers in the State of Oregon.

OPSRP was created during the 2003 Oregon Legislative session and represents the pension plan for public employees hired on or after August 29, 2003, unless membership was previously established in OPERS, which is a closed plan. All Board employees are eligible to participate in OPSRP after six months of employment. Benefits are established under both plans by State Statute and employer contributions are made at an actuarially determined rate as adopted by the Public Employees Retirement Board ("Retirement Board"). The OPERS, a component unit of the State of Oregon, issues a comprehensive annual report that includes both pension plans, which may be obtained by writing to PERS.

Funding Policy

OPERS reissued employer rates in July 2003 for the 2001 actuarial valuation based on the changes to the pension plan during the 2003 Legislative session. The Board's new rate effective July 1, 2003 was 11.85% and the rate was reduced to 11.32% effective November 1, 2004 as the result of litigation against OPERS. The OPERS is not expected to change employer contribution rates until after the 2003 actuarial valuation, which is expected to be available in February 2005.

State statute requires covered employees to contribute 6% of their salary to the system, but allows the employer to pay any or all of the employees' contribution in addition to the required employer's contribution. The Board has elected to pay the employees' contributions.

In December 2001, the Board elected to make a lump-sum payment of approximately $29,600,000, which had the effect of lowering the employer contribution rate to 15.51%, beginning January 1, 2002. The lump sum payment is recorded as an other asset and is being amortized over the funding period of 27 years. The amortization was $1,152,000 for 2004 and 2003, respectively.

Annual Pension Cost

Because all OPERS participating employers are required by law to submit the contributions as adopted by the Retirement Board, and because employer contributions are calculated in conformance with the parameters of GASB No. 27, *Accounting for Pensions by State and Local Government Employers*, there is no net pension obligation to report, and annual required contributions are equal to annual pension cost. For the year ended December 31, 2004, the Board's annual pension expense of $5,067,900, consisted of the employer portion of $3,353,500 and the annual required contribution of approximately $1,714,400 (an average for 2004 of 12% of covered payroll and 6%, respectively).

The Board's pension liability and the annual required contribution rate were determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. The unfunded actuarial accrued liability is amortized as a level percentage of projected annual payroll on an open basis over a 26-year period. The actuarial assumptions include a rate of return on investment of present and future assets of 8.0% per year, projected salary increases of 4.25% (excluding merit and longevity increases), and cost-of-living adjustments of 2.0% per year for postretirement benefits. Investment return and projected salary increases include an inflation component of 3.5%.

The following table presents three-year trend information for the Board's employee pension plan:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
12-31-02	6,275,661	100%
12-31-03	5,221,700	100%
12-31-04	5,067,900	100%

The following table presents a schedule of funding progress for the Board's employee pension plan:

Valuation Date	Value of Assets	Actuarial Liability	Unfunded Actuarial Liability (UAL)	Percent of Actuarial Liability Funded	Covered Payroll	UAL/ Payroll
12-31-97	$ 58,946,228	$ 117,633,500	$ 58,687,272	50%	$ 25,992,756	226%
12-31-99	172,684,683	227,670,647	54,985,964	76%	27,087,320	203%
12-31-01 *	197,488,997	200,216,724	2,772,727	99%	27,068,757	10%

* Revised, including 2003 legislative action.

The Supplemental Retirement Plan

Plan Description

The Supplemental Retirement Plan is a single-employer plan providing retirement, death and disability benefits to participants and their beneficiaries. It has been in effect since January 1, 1968 and was last amended and restated July 1988. The objective of the plan is to provide a benefit on retirement, which, together with the benefit from OPERS, will provide 1.67% of the highest 36-month average salary for each year of service. Independent actuaries determine employer contributions.

Funding Policy

There is no required contribution rate as a percentage of payroll, since the only participants currently in the plan are retirees and their beneficiaries. Funding of the plan is made from Board contributions, as needed to meet obligations to retirees, together with earnings on plan assets. Amounts are recouped in rates as contributions are made.

Annual Pension Cost

Employer contributions are calculated and made in conformity with the parameters of GASB No. 27. The Board's annual pension cost is based upon its latest actuarial report, dated January 1, 2004, with the next actuarial valuation for the year ended December 31, 2004 scheduled to be completed during 2005.

The Board's pension liability and the annual required contribution rate were determined as part of the January 1, 2004 actuarial valuation using the unit credit method. The unfunded actuarial accrued liability is amortized as a level percentage of projected annual payroll on an open basis over a 10-year period. The actuarial assumptions include a rate of return on investment of present and future assets of 7.0% per year, cost-of-living adjustments of 2.0% per year for postretirement benefits, discount rate of 6% and 1983 Group Annuity Mortality rate.

The Board's annual pension cost and the change in net pension obligation related to the Supplemental Retirement Plan for the years ended December 31 is as follows:

	2004	2003
Annual recommended contribution	$ 548,494	$ 498,139
Interest on net pension obligation	114,318	84,418
Adjustment to annual recommended contribution	(210,453)	(155,409)
Annual pension cost	452,359	427,148
Contributions made	605,050	-
(Decrease) increase in net pension obligation	(152,691)	427,148
Net pension obligation, January 1	1,633,119	1,205,971
Net pension obligation, December 31	$ 1,480,428	$ 1,633,119

The following tables present ten-year trend information for the Board's Supplemental Retirement Plan:

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2003	$ 452,359	134%	$ 1,480,428
December 31, 2002	427,148	0%	1,633,119
December 31, 2001	402,482	0%	1,205,971

Schedule of funding progress for the Supplemental Retirement Plan:

Valuation as of January 1	Value of Assets	Actuarial Liability	Net Assets as a Percent of Actuarial Liability	Unfunded Actuarial Liability
2004	$ 172,033	$ 3,593,882	4.8%	$ 3,421,849
2003	112,539	3,964,935	2.8%	3,852,396
2001	1,205,282	4,364,349	27.6%	3,159,067

Postretirement Medical Benefit Plan

In addition to pension benefits, the Board provides postretirement health care and life insurance benefits to all employees who retire with at least 30 years of service or at age 55 with at least 10 years of service. Currently, 384 retirees or surviving spouses of retired employees are covered under the plan. The life insurance benefit is a fixed amount of $5,000 per retiree. Health care coverage reimburses 80% of the amount of validated claims for certain medical, dental, vision and hospitalization costs.

GASB No. 12, *Disclosure of Information of Postemployment Benefits Other Than Pension Benefits by State and Local Government Employers*, discusses two methods for funding the above postretirement benefits. The method the Board continues to use is the "pay-as-you-go" method, resulting in recognized expenses in 2004 of approximately $1,135,000 for Electric System and $185,000 for the Water System ($2,006,000 and $310,000 in 2003, respectively).

The alternative method would accrue expenses as incurred and allow the Board to fund a portion of the future postemployment costs in advance on an actuarially determined basis. Under this method, the 2003 total expense, as determined by an actuarial study dated January 1, 2004, the date of the last valuation, for both the Electric System and Water System would have been approximately $4 million. The total actuarially determined health care liability for both systems as of January 1, 2004 was approximately $32.2 million. The unit credit funding method was used to compute the liability and assumes a 6% discount rate and a 12.5% annual rate of increase in the per capita cost of covered health care benefits for 2004. This rate is assumed to decrease gradually to 6% in the year 2017 and remain at that level thereafter. A 1% increase in the assumed health care cost trend could have a material effect on net postretirement health care costs.

12. Deferred Compensation

The Board offers all employees a deferred compensation plan created in accordance with Internal Revenue Code ("IRC") Section 457. The plan permits them to defer a portion of their salary until future years. Participation in the plan is optional and there is no employer matching. Payment from the plan is not available to employees until termination, retirement, death or unforeseeable emergency.

The Board works with separate investment providers who also provide third-party administration for all deferred compensation program funds. Participating employees have several investment options with varying degrees of market risk. The Board has no liability for losses under the plan, but does have the duty to administer the plan in a prudent manner.

The Board has little administrative involvement with the plan and does not perform the investing function. Therefore, in accordance with GASB No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the plan assets are not included in the accompanying balance sheet.

13. Trojan Project Fund (as restated)

Summary of Significant Accounting Policies

General
The Trojan Nuclear Plant ("Trojan"), a nonoperating facility, is jointly owned by Portland General Electric Company ("PGE"), 67.5%; the City of Eugene, acting by and through the Board, 30.0%; and Pacific Power & Light Company, 2.5%; as tenants in common. Trojan ceased commercial operation in 1993 and is being decommissioned. The Trojan Project financial statements reflect the Board's 30% ownership of Trojan.

Under the terms of Net Billing Agreements, executed in 1970, BPA is obligated to pay the Board amounts sufficient to pay all of the Board's costs related to the Project, including decommissioning and debt service notwithstanding the termination of plant output. BPA pays those costs primarily by issuing credits against the Net Billing Participant's purchases of electricity from BPA, but in some cases also makes payments in cash. The Board is required to transfer from its Electric System Fund to the Trojan Project Fund an amount equal to all net billing credits received through this agreement. The Board is then responsible for making payments from the Trojan Project Fund to the Trojan Project for the Board's share of decommissioning costs.

Since BPA is obligated to pay the Board's share of all Trojan Project costs, and has provided the Board with legally binding written assurances of its commitment to that obligation, the Board does not expect the closure and decommissioning of the Trojan Project to have any adverse effect on the Board's Electric or Water System. All Trojan related costs are expected to be born fully by BPA; however, as a function of the Board's minority ownership of the Trojan Project, Trojan costs would the legal obligation of the Board. The Board believes the circumstances where it would pay these costs without full reimbursement by BPA have a very low probability of occurring.

The Nuclear Regulatory Commission ("NRC") regulates the licensing, construction, operations and decommissioning of nuclear power plants. In 1993, the NRC issued a possession-only license amendment to the Trojan operating license, allowing the Project to own the reactor and nuclear fuel but not to operate the facility. This license amendment eliminates certain operating requirements that are unnecessary for a permanently shutdown and de-fueled reactor. Trojan will continue to be subject to NRC regulation until it is fully decommissioned, all nuclear fuel is removed from the site to a U.S. Department of Energy ("USDOE") facility, and its license is terminated. The Board has also recorded a provision for decommissioning costs based on an estimate in current dollars and a receivable from BPA representing BPA's responsibility to pay for all Trojan costs. Any future change in the estimates for these costs will result in a change to the receivable from BPA under Net Billing Agreements.

The Board's costs related to administration of the Trojan Fund also are fully reimbursable by BPA.

Debt associated with Trojan Project activity is secured solely by a pledge of the receipts from Trojan Project fees and charges associated with the Two-Party Net Billing Agreement with BPA; therefore, the Trojan Project is reported as a proprietary fund.

Deferred Charges on Long-Term Debt

The Board has recorded deferred charges of $20,670 and $28,170 for certain Trojan bond issuance costs as of December 31, 2004 and 2003, respectively. Debt premium, discount, expenses and advance refunding costs are being amortized over the terms of the respective debt issues.

Asset Retirement Obligation

The Board adopted SFAS No. 143 on January 1, 2003. SFAS No. 143, *Accounting for Obligations Associated with the Retirement of Long-Lived Assets*, requires the recognition of asset retirement obligations ("ARO"), measured at estimated fair value, for legal obligations related to dismantlement and restoration costs associated with the retirement of tangible long-lived assets in the period in which the liability is incurred. Upon initial recognition of ARO's that are measurable, the probability weighted future cash flows for the associated retirement costs, discounted using a credit-adjusted risk-free rate, are normally recognized as both a liability and as an increase in the capitalized carrying amount of the related long-lived assets. In the case of Trojan, the amount of the ARO is included in the long-term receivable amount due from BPA. Interest is accreted annually on the ARO liability until the point it is settled. Accretion of interest, also, will increase the amount due from BPA over time. The estimated liability and amount due from BPA will be adjusted by any future revisions to the projected cost of decommissioning.

The ARO associated with the Trojan plant was recorded on a nominal dollar basis at the time of its abandonment in 1993, with costs to be recovered from BPA recorded as a long-term receivable. With the adoption of SFAS No. 143, the receivable from BPA and the related ARO for the Trojan plant were reduced by $24.4 million to adjust the balances to an estimated fair value as required by SFAS No. 143 of $59.7 million at January 1, 2003. Accordingly, the adoption of SFAS No. 143 did result in a cumulative effect adjustment in the statement of revenues, expenses and changes in fund net assets.

The following presents the 2004 and 2003 balances and activities in the ARO:

	2004	2003
Beginning balance	$ 46,477,000	$ 84,055,251
Impact of FAS 143 adoption	-	(24,444,444)
Expenditures	(8,895,873)	(14,911,585)
Accretion	2,848,819	2,222,222
Revision	815,213	(444,444)
Ending balance	$ 41,245,159	$ 46,477,000

Long-Term Receivable – BPA
The accumulated excess of expenses over net billings is reflected in the Balance Sheet as an increase to "Long-term receivable, BPA, net." Following is an analysis of changes in this account during 2004 and 2003:

	2004	2003
Adoption of SFAS No. 143		
Transition adjustment	$ -	$ (24,444,444)
Net accretion and revisions	3,664,032	1,777,778
Decommissioning and maintenance costs	8,722,292	12,637,831
Interest expense	3,393,674	3,826,063
Provision for decommissioning costs	(8,895,873)	(14,911,585)
Less		
Total net billings	(20,178,527)	(14,461,233)
Interest income	(373,889)	(423,762)
Decrease in receivable	(13,668,291)	(35,999,352)
Beginning balance	75,607,606	111,606,958
Ending balance	$ 61,939,315	$ 75,607,606

Cash and Investments
The Board maintains cash and investments in several fund accounts in accordance with bond resolutions and Board authorization. Descriptions of these fund account types are as follows:

Bond Funds
Used to account for legally restricted cash and investments for the purpose of reserving funds for making principal and interest payments on long-term debt if funds held in segregated cash and investments are deficient.

Reserve and Contingency Fund
Used to account for legally restricted cash for the purpose of making up any deficiencies in the Trojan Project Bond Funds. For purposes of the statement of cash flows, the fund is reflected as cash flow from investing activity in the amount of $2,001,065 in 2004.

Decommissioning Fund
Used to account for restricted cash and investments for the payment of decommissioning costs related to the Trojan Project.

Investments for Debt Service
Used to account for cash and investments, which are legally designated for payment of principal and interest on debt.

Deposits with financial institutions are comprised of bank demand deposits and savings accounts. The total bank balances, as recorded in the bank records at December 31, 2004 are $2,157,891 ($1,865 at December 31, 2003), of which all was covered by federal depository insurance.

The Trojan Project Fund's investments during the year included obligations of the U.S. Government, all of which are authorized by State Statutes and bond resolutions. Investments are categorized to give an indication of the level of risk assumed at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Trojan Project Fund or its agent in the Trojan Project Fund's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Trojan Project Fund's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Trojan Project Fund's name. The Trojan Project Fund's investments are held in safekeeping in book entry form by the financial institution counterparty and are considered to be Category 3 investments under the above criteria. The Trojan Project Fund's investment in the State of Oregon Local Government Investment Pool ("LGIP") is not required to be categorized by level or risk because this investment is not evidenced by securities.

Investments, except for the investment in LGIP, are carried at fair value as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, using quoted market prices in 2004 and 2003. Also, as allowed by GASB Statement No. 31, the investment in LGIP is carried at amortized cost, which approximates fair value at December 31, 2004 and 2003.

Cash and investments consist of the following at December 31:

	2004 Restricted Cash and Investments	2004 Cash and Cash Equivalents	2004 Total Carrying Amount
Cash in bank demand deposits	$ -	$ 2,157,891	$ 2,157,891
Cash in other funds	2,001,861	-	2,001,861
Investment - direct obligation of U.S. government	14,092,243	-	14,092,243
Investments in the State of Oregon Local Government Investment Pool	-	4,994,260	4,994,260
	$ 16,094,104	$ 7,152,151	$ 23,246,255

	2003 Restricted Cash and Investments	2003 Cash and Cash Equivalents	2003 Total Carrying Amount
Cash in bank demand deposits	$ -	$ 1,865	$ 1,865
Cash in other funds	8,155	-	8,155
Investment - direct obligation of U.S. government	16,079,303	4,896,167	20,975,470
Investments in the State of Oregon Local Government Investment Pool	-	1,346,033	1,346,033
	$ 16,087,458	$ 6,244,065	$ 22,331,523

Long-Term Debt – Bonds Payable

Bonds are payable as to principle and interest solely from the revenues of the Trojan Project Fund. The revenues primarily include payments to the Board pursuant to Net Billing Agreements.

	2004	2003
Long-term portion of bonds payable		
Trojan Nuclear Project Revenue Bonds, Series 1997, term bonds, 5.90%, due through 2009	$ 36,670,000	$ 44,600,000
Less unamortized discount	110,826	154,386
Less unamortized refunding costs	1,943,485	2,360,269
	$ 34,615,689	$ 42,085,345

	2004		2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Trojan Project bonds payable, including current and long-term	$ 44,600,000	$ 45,046,000	$ 49,570,345	$ 52,463,658

Total principal requirements reflective of the foregoing bonds, during the years 2004 through 2008 and thereafter are as follows:

2005	$ 7,930,000
2006	8,395,000
2007	8,890,000
2008	9,415,000
Thereafter	9,970,000
	$ 44,600,000

The resolutions authorizing the issuance of revenue bonds contain various covenants and obligations with which the Board must comply.

Commitments and Contingencies

BPA

The Board has evaluated its long-term receivable from BPA and deems it fully collectible based on BPA's ability to set rates as a federal electric power marketing agency.

Environmental Matters

Trojan is engaged in environmental investigation and remediation efforts in its ordinary course of business. The Board has considered these matters when estimating the decommissioning liability to be paid from the fund. In the opinion of management, the ultimate outcome of these matters will not have a material effect on the Board's financial position beyond amounts already accrued as of December 31, 2004. As such, amounts will be paid by BPA.

14. Commitments and Contingencies

Water Projects

At December 31, 2004, the Board had a contractual commitment related to its Hayden Bridge expansion project totaling $185,000. In addition, the Board had previously committed to long-term acquisition and construction of groundwater resources. However, there were no outstanding construction contracts for groundwater acquisition or construction at December 31, 2004.

Electric Re-Licensing Projects

To meet the requirements of a renewed license to operate Leaburg and Walterville hydroelectric facilities, the Board is constructing improvements for these integrated facilities. Approximately $4,500,300 is projected necessary to fulfill the license requirements through the year 2006, including approximately $1,000,000 for contractual commitments in place December 31, 2004 to be fulfilled in 2005. The majority of the contractual commitments are for operational equipment at Leaburg. Compliance studies and other improvements for the overall site of Walterville and Leaburg are targeted for 2005 to 2006.

The Board is in the application process of renewing its license to operate its Carmen Smith hydroelectric facility. Contracts totaling $4,011,851, executable by individual work orders, for environmental work and engineering are expected to continue into 2006. Contractual commitments for work orders outstanding at December 31, 2004 were approximately $825,000.

Self-Insurance
The Board is exposed to various risks of loss due to self-insured risks retention relating to general liability claims. General liability claims are generally limited to $100,000 for property damage claims and $1,000,000 for all other claims, per occurrence.

Claims liabilities recorded in the basic financial statements 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, including incurred but not reported ("IBNR") claims. At December 31, 2004, a total claims liability of approximately $354,000 ($294,000 at December 31, 2003) is reported in the basic financial statements. All prior and current-year claims are fully reserved and have not been discounted.

		Liability Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Liability Balance at End of Year
2004	General liability	$ 293,960	$ 164,260	$ (103,950)	$ 354,270
2003	General liability	$ 131,162	$ 221,280	$ (58,482)	$ 293,960
2002	General liability	$ 87,344	$ 218,307	$ (174,489)	$ 131,162

Claims and Other Legal Proceedings
The Board was a party to litigation in the case of *Puget Sound Energy, Inc. v. All Jurisdictional Sellers of Energy and/or Capacity at Wholesale Into Electric Energy and/or Capacity Markets in the Pacific Northwest, Including Parties to the Western Systems Power Pool Agreement.* The litigation contended that various parties, including the Board, that bought and sold electric energy in the Pacific Northwest wholesale power markets during the California energy crisis charged unjust and/or unreasonable prices. Refund claims were asserted against the Board. The Board traded electricity in the Pacific Northwest wholesale market for the sole purpose of ensuring its customer's needs would be fulfilled at the best possible rates, since the Board's own generation and its contracts with BPA were insufficient to meet those needs. The Board contended that the prices it charged were neither unjust nor unreasonable, and further claimed that the Federal Energy Regulatory Commission ("FERC") did not have jurisdictional authority over a publicly owned utility such as the Board. On June 25, 2003, FERC issued its "Order Granting Rehearing, Denying Request to Withdraw Compliant and Terminating Proceeding" in which FERC terminated the litigation without ordering refunds from any parties. In addition, FERC concurred that it did not have regulatory jurisdiction over municipal utilities such as the Board. As of December 31, 2004, the litigation has been appealed to the United States Court of Appeals for the Ninth Circuit. The Board is unable to predict either the outcome of the appeal or estimate the potential liability in this proceeding.

The Board was also a party to litigation in the case of *San Diego Gas and Electric Company v. Sellers of Energy and Ancillary Service Into markets Operated by the California Independent System Operator Corporation and the California Power Exchange*. The litigation contended that various parties that bought and sold electric energy in the wholesale power markets operated by the California Independent System Operator ("ISO") and the California Automated Power Exchange ("PX") during the California energy crisis charged unjust and/or unreasonable prices. The Board did not directly participate in the centralized power markets operated by the ISO or the PX, and therefore was not a party to initial FERC proceedings in this matter. However, the Board did sell approximately $500,000 of power to the ISO in December 2000 during system emergencies declared by the ISO.

The Board was issued a subpoena as a nonparty to the proceedings, but elected to file a Motion to Intervene in the case to fully protect its interests. The Board contended that the prices it charged were neither unjust nor unreasonable, and that it was not subject to and did not violate either the ISO or PX tariffs. A FERC-appointed Administrative Law Judge issued a Certification of Proposed Findings on California Refund Liability (Proposed Findings) showing a potential refund of $226,00 due from the Board to the ISO. However, the Proposed Findings also showed the ISO potentially owing the Board $483,000 for nonpayment of the transactions in question. Therefore, the Board appears to be in a net refund position with regard to the Proposed Findings. In March 2003 FERC issued an Order largely approving the Proposed Findings and subsequently issued other orders affirming its jurisdiction in this case as regards to municipal utilities selling to the ISO. As of December 31, 2004, the FERC orders have been appealed to the United States Court of Appeals for the Ninth Circuit. The Board is unable to predict either the outcome of the appeal or estimate the potential liability in this proceeding.

The Board is involved in various other litigation. In the opinion of management, the ultimate outcome of these claims will not have a material effect on the Board's financial position beyond amounts already accrued as of December 31, 2004.

Environmental Matters
The Board owns land near its headquarters, which is contaminated from a former manufactured gas facility. Under a participant agreement with other entities, the Board shares in 16-2/3% of the clean up costs. Based on a feasibility study conducted by environmental consultants and the Department of Environment Quality's stated preferences for similar contaminated sites, $666,400 was accrued as a liability at December 31, 2004 ($346,000 at December 31, 2003).

Refer to Note 13 for discussion of environmental matters related to Trojan Project.

Supplementary Information

Analysis of Certain Restricted Cash and Investments for Debt Service

Eugene Water & Electric Board
Electric System
Analysis of Certain Restricted Cash and Investments for Debt Service
December 31, 2004

	Bond Funds Debt Service Accounts	Construction Fund	Total All Funds
Ending balance - December 31, 2003	$ 7,551,594	$ 10,120,491	$ 17,672,085
Proceeds from bond issue			-
Deposits from general fund	15,218,000	984,208	16,202,208
Interest earnings	60,165	72,577	132,742
Receipts	15,278,165	1,056,785	16,334,950
Principal payments	4,645,000	-	4,645,000
Interest payments	11,267,273	-	11,267,273
Transfers to general fund	3,754	9,064,096	9,067,850
Disbursements	15,916,027	9,064,096	24,980,123
U.S. government securities, at market	6,913,732	-	6,913,732
State of Oregon Local Government Investment Pool	-	2,113,180	2,113,180
Ending balance - December 31, 2004	$ 6,913,732	$ 2,113,180	$ 9,026,912

Eugene Water & Electric Board
Water System
Analysis of Certain Restricted Cash and Investments for Debt Service
December 31, 2004

	Bond Fund Debt Service Accounts	Construction Fund	Total All Funds
Ending balance - December 31, 2003	$ 1,090,540	$ 8,677,696	$ 9,768,236
Deposits from general fund	2,545,700		2,545,700
Interest earnings	9,543	109,006	118,549
Receipts	2,555,243	109,006	2,664,249
Principal payments	825,000	-	825,000
Interest payments	1,746,789	-	1,746,789
Transfers to general fund	-	87,896	87,896
Disbursements	2,571,789	87,896	2,659,685
U.S. government securities, at market	1,073,994	7,960,036	9,034,030
State of Oregon Local Government Investment Pool	-	738,770	738,770
Ending balance - December 31, 2004	$ 1,073,994	$ 8,698,806	$ 9,772,800

Eugene Water & Electric Board
Trojan Project
Analysis of Certain Restricted Cash and Investments for Debt Service
December 31, 2004

	Interest Account	Principal Account	Reserve Account	R&C Account	General Fund	Totals
Ending balance - January 1, 2004	$ 1,025,856	$ 2,499,766	$ 10,559,623	$ 2,002,213	$ 6,244,065	$ 22,331,523
Deposits from general fund	2,919,420	7,596,490	-	1,446,270	22,079,518	34,041,698
Interest earnings	7,580	40,437	124,439	29,582	171,851	373,889
Receipts	2,927,000	7,636,927	124,439	1,475,852	22,251,369	34,415,587
Progress payments to PGE	-	-	-	-	8,670,955	8,670,955
EWEB direct payments	-	-	-	-	54,993	54,993
Interest and principal payments	3,073,015	7,485,000	-	-	11,962,179	22,520,194
Contributions in lieu of taxes	-	-	-	-	4,357	4,357
Administrative and general expenses	-	-	-	-	650,800	650,800
Transfers of excess fund deposits	-	-	122,556	1,477,000	-	1,599,556
Disbursements	3,073,015	7,485,000	122,556	1,477,000	21,343,284	33,500,855
Ending balance - December 31, 2004	879,841	2,651,693	10,561,506	2,001,065	7,152,150	23,246,255
Cash	-	-	796	2,001,065	2,157,891	4,159,752
Local government investment pool	-	-	-	-	4,994,260	4,994,260
U.S. government securities at market	879,841	2,651,692	10,560,710	-	-	14,092,243
	879,841	2,651,692	10,561,506	2,001,065	7,152,151	23,246,255
Less amounts included in current assets for payment of long-term debt, interest and other liabilities	879,841	2,651,692	-	-	7,152,151	10,683,684
Net fund balance - December 31, 2004	$ -	$ -	$ 10,561,506	$ 2,001,065	$ -	$ 12,562,571

Long-Term Bonded Debt and Interest Payment Requirements (Including Current Portion)

Eugene Water & Electric Board
Electric System
Long-Term Bonded Debt and Interest Payment Requirements, including Current Portion
December 31, 2004

	Revenue Bonds 1996 Series 12-1-96		Refunding Revenue Bonds 1997 Series 11-4-97		Refunding Revenue Bonds 1998 Series 2-1-98		Revenue Bonds 1998 Series A 11-15-98	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 890,000	$ 756,605	$ 1,065,000	$ 407,225	$ 55,000	$ 1,664,813	$ 315,000	$ 717,313
2006	930,000	713,885	1,115,000	359,833	345,000	1,662,475	335,000	699,327
2007	975,000	668,315	1,165,000	309,658	435,000	1,647,640	355,000	679,696
2008	1,025,000	619,565	1,225,000	256,650	540,000	1,625,455	375,000	658,857
2009	1,080,000	567,290	1,285,000	199,075	650,000	1,597,915	400,000	636,657
2010	1,135,000	511,130	1,355,000	137,395	770,000	1,568,655	420,000	612,777
2011	1,195,000	450,975	1,420,000	71,000	895,000	1,533,245	450,000	586,653
2012	1,260,000	386,744			1,035,000	1,491,180	475,000	558,663
2013	1,325,000	319,019			1,190,000	1,442,018	505,000	529,118
2014	1,395,000	247,800			1,765,000	1,384,898	535,000	497,707
2015	1,475,000	169,680			2,030,000	1,300,178	570,000	464,430
2016	1,555,000	87,080			2,315,000	1,201,723	610,000	425,385
2017					2,635,000	1,085,973	650,000	383,600
2018					2,980,000	954,223	695,000	339,075
2019					3,350,000	805,223	740,000	291,468
2020					3,750,000	636,048	795,000	240,778
2021					4,190,000	446,673	850,000	186,320
2022					4,655,000	235,070	905,000	128,095
2023							965,000	66,099
2024								
2025								
2026								
2027								
2028								
2029								
2030								
2031								
	14,240,000	5,498,088	8,630,000	1,740,836	33,585,000	22,283,405	10,945,000	8,702,018
Less current	890,000	-	1,065,000	-	55,000	-	315,000	-
	$ 13,350,000	$ 5,498,088	$ 7,565,000	$ 1,740,836	$ 33,530,000	$ 22,283,405	$ 10,630,000	$ 8,702,018

Eugene Water & Electric Board
Electric System
Long-Term Bonded Debt and Interest Payment Requirements, including Current Portion
December 31, 2004

	Revenue Bonds 2001A Series Curent Interest 11-15-01		Revenue Bonds 2001 B Series 11-15-01		Refunding Revenue Bonds 2002 A Series 5-7-02		Revenue Bonds 2002 B Series 5-22-02	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 90,000	$ 1,638,776	$ 760,000	$ 1,932,363	$ 1,210,000	$ 525,525	$ 1,045,000	$ 540,523
2006	180,000	1,633,088	790,000	1,901,963	1,280,000	462,000	1,090,000	494,804
2007	260,000	1,621,712	820,000	1,870,363	1,350,000	394,800	1,145,000	441,666
2008	390,000	1,605,280	855,000	1,837,563	1,425,000	323,925	1,200,000	383,271
2009	510,000	1,580,632	890,000	1,803,363	1,500,000	249,113	1,265,000	320,871
2010	645,000	1,548,400	925,000	1,767,763	1,575,000	170,363	1,335,000	248,766
2011	790,000	1,507,636	960,000	1,730,763	1,670,000	87,675	1,415,000	171,336
2012	950,000	1,457,708	1,000,000	1,692,363			1,495,000	88,205
2013	1,125,000	1,397,668	1,040,000	1,652,363				
2014	1,310,000	1,326,568	1,095,000	1,597,763				
2015	1,520,000	1,243,776	1,155,000	1,540,275				
2016	1,745,000	1,147,712	1,215,000	1,479,638				
2017	1,990,000	1,037,428	1,275,000	1,415,850				
2018	2,255,000	911,660	1,345,000	1,348,913				
2019	2,545,000	769,144	1,415,000	1,278,300				
2020	2,860,000	608,300	1,490,000	1,204,013				
2021	3,200,000	427,548	1,565,000	1,125,788				
2022	3,565,000	225,308	1,650,000	1,043,625				
2023	867,106	3,097,894	1,735,000	957,000				
2024	839,611	3,305,389	1,825,000	870,250				
2025	814,720	3,520,280	1,915,000	779,000				
2026	789,579	3,740,421	2,010,000	683,250				
2027	756,540	3,913,460	2,110,000	582,750				
2028			2,215,000	477,250				
2029			2,325,000	366,500				
2030			2,440,000	250,250				
2031			2,565,000	128,250				
	29,997,556	39,265,788	39,385,000	33,317,532	10,010,000	2,213,401	9,990,000	2,689,442
Less current	90,000	-	760,000	-	1,210,000	-	1,045,000	-
	$ 29,907,556	$ 39,265,788	$ 38,625,000	$ 33,317,532	$ 8,800,000	$ 2,213,401	$ 8,945,000	$ 2,689,442

Eugene Water & Electric Board
Electric System
Long-Term Bonded Debt and Interest Payment Requirements, including Current Portion
December 31, 2004

	Revenue and Refunding 2002 C Series 5-22-02		Revenue and Refunding 2003 Series 6-10-03		Total Electric System Payments		
	Principal	Interest	Principal	Interest	Principal	Interest	Totals
2005	$ 465,000	$ 527,983	$ 250,000	$ 1,778,287	$ 6,145,000	$ 10,489,413	$ 16,634,413
2006	475,000	514,963	995,000	1,773,288	7,535,000	10,215,626	17,750,626
2007	495,000	500,119	1,710,000	1,753,387	8,710,000	9,887,356	18,597,356
2008	505,000	483,289	1,770,000	1,702,088	9,310,000	9,495,943	18,805,943
2009	530,000	464,351	1,830,000	1,648,987	9,940,000	9,068,254	19,008,254
2010	550,000	443,681	1,890,000	1,594,088	10,600,000	8,603,018	19,203,018
2011	575,000	420,994	1,950,000	1,537,387	11,320,000	8,097,664	19,417,664
2012	600,000	396,556	2,035,000	1,459,388	8,850,000	7,530,807	16,380,807
2013	620,000	370,756	2,125,000	1,377,987	7,930,000	7,088,929	15,018,929
2014	650,000	343,476	2,200,000	1,292,988	8,950,000	6,691,200	15,641,200
2015	680,000	314,226	2,315,000	1,182,987	9,745,000	6,215,552	15,960,552
2016	710,000	282,776	2,435,000	1,067,238	10,585,000	5,691,552	16,276,552
2017	740,000	249,051	2,565,000	945,487	9,855,000	5,117,389	14,972,389
2018	775,000	213,531	2,695,000	817,238	10,745,000	4,584,640	15,329,640
2019	815,000	175,750	2,835,000	682,487	11,700,000	4,002,372	15,702,372
2020	855,000	135,000	2,985,000	540,738	12,735,000	3,364,877	16,099,877
2021	900,000	92,250	3,140,000	391,487	13,845,000	2,670,066	16,515,066
2022	945,000	47,250	3,300,000	234,488	15,020,000	1,913,836	16,933,836
2023			1,635,000	69,488	5,202,106	4,190,481	9,392,587
2024					2,664,611	4,175,639	6,840,250
2025					2,729,720	4,299,280	7,029,000
2026					2,799,579	4,423,671	7,223,250
2027					2,866,540	4,496,210	7,362,750
2028					2,215,000	477,250	2,692,250
2029					2,325,000	366,500	2,691,500
2030					2,440,000	250,250	2,690,250
2031					2,565,000	128,250	2,693,250
	11,885,000	5,976,002	40,660,000	21,849,513	209,327,556	143,536,025	352,863,581
Less current	465,000	-	250,000	-	6,145,000	-	6,145,000
	$ 11,420,000	$ 5,976,002	$ 40,410,000	$ 21,849,513	$ 203,182,556	$ 143,536,025	$ 346,718,581

Eugene Water & Electric Board
Water System
Long-Term Bonded Debt and Interest Payment Requirements, including Current Portion
December 31, 2004

	Revenue Bonds Refunding 1997 Series 11-4-97		Revenue Bonds 2000 Series 1-1-00		Revenue Bonds 2002 Series 7-16-02		Total Water System Payments		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Totals
2005	$ 860,000	$ 79,878	$ -	$ 1,224,098	$ -	$ 406,101	$ 860,000	$ 1,710,077	$ 2,570,077
2006	905,000	41,178	-	1,224,098	-	406,101	905,000	1,671,377	2,576,377
2007			450,000	1,224,098	460,000	406,101	910,000	1,630,199	2,540,199
2008			470,000	1,200,698	470,000	393,451	940,000	1,594,149	2,534,149
2009			495,000	1,176,023	490,000	378,764	985,000	1,554,787	2,539,787
2010			520,000	1,149,788	505,000	362,839	1,025,000	1,512,627	2,537,627
2011			550,000	1,122,228	525,000	345,164	1,075,000	1,467,392	2,542,392
2012			580,000	1,092,083	545,000	326,264	1,125,000	1,418,347	2,543,347
2013			610,000	1,061,483	570,000	305,826	1,180,000	1,367,309	2,547,309
2014			645,000	1,027,933	595,000	283,596	1,240,000	1,311,529	2,551,529
2015			680,000	992,135	620,000	259,796	1,300,000	1,251,931	2,551,931
2016			720,000	954,055	645,000	234,221	1,365,000	1,188,276	2,553,276
2017			760,000	913,555	675,000	206,809	1,435,000	1,120,364	2,555,364
2018			800,000	870,615	710,000	178,121	1,510,000	1,048,736	2,558,736
2019			845,000	825,015	740,000	147,059	1,585,000	972,074	2,557,074
2020			895,000	776,428	780,000	113,759	1,675,000	890,187	2,565,187
2021			950,000	724,518	815,000	77,879	1,765,000	802,397	2,567,397
2022			1,005,000	669,418	855,000	40,185	1,860,000	709,603	2,569,603
2023			1,060,000	611,128			1,060,000	611,128	1,671,128
2024			1,120,000	549,648			1,120,000	549,648	1,669,648
2025			1,185,000	484,688			1,185,000	484,688	1,669,688
2026			1,255,000	415,069			1,255,000	415,069	1,670,069
2027			1,330,000	341,338			1,330,000	341,338	1,671,338
2028			1,410,000	263,200			1,410,000	263,200	1,673,200
2029			1,490,000	180,363			1,490,000	180,363	1,670,363
2030			1,580,000	92,825			1,580,000	92,825	1,672,825
	1,765,000	121,056	21,405,000	21,166,528	10,000,000	4,872,036	33,170,000	26,159,620	59,329,620
Less current	860,000	-	-	-	-	-	860,000	-	860,000
	$ 905,000	$ 121,056	$ 21,405,000	$ 21,166,528	$ 10,000,000	$ 4,872,036	$ 32,310,000	$ 26,159,620	$ 58,469,620

Eugene Water & Electric Board
Trojan Project
Long-Term Bonded Debt and Interest Payment Requirements, including Current Portion
December 31, 2004

	Revenue Bonds 1997 Series 3-1-77		
	Principal	Interest	Totals
2005	$ 7,930,000	$ 2,631,400	$ 10,561,400
2006	8,395,000	2,163,530	10,558,530
2007	8,890,000	1,668,225	10,558,225
2008	9,415,000	1,143,715	10,558,715
2009	9,970,000	588,230	10,558,230
	44,600,000	8,195,100	52,795,100
Less current	7,930,000	-	7,930,000
	$ 36,670,000	$ 8,195,100	$ 44,865,100

Schedule of Bonded Debt
(Including Current Portion) Transactions

Eugene Water & Electric Board
Electric System
Schedule of Bonded Debt (Including Current Portion) Transactions
December 31, 2004

	Principal				Interest			
	Outstanding January 1, 2004	Issued During Year	Matured During Year	Outstanding December 31, 2004	Outstanding January 1, 2004	Matured During Year	Reedeemed During Year	Outstanding December 31, 2004
Electric Revenue Bonds, with interest rates from 3.90% to 6.705, maturing through 2031 (original issue $190,230,000)	$ 76,890,000	$ -	$ (2,330,000)	$ 74,560,000	$ 1,823,103	$ 4,195,859	$ (4,374,460)	$ 1,644,502
Electric Revenue Refunding Bonds, with interest rates from 2.0% to 5.25%, maturing through 2022 (original issue $127,190,000)	107,085,000	-	(2,315,000)	104,770,000	2,189,183	5,108,121	(5,254,038)	2,043,266
Electric Revenue Current Interest Bonds, with interest rate of 6.23%, maturing through 2027 (original issue $29,997,556)	29,997,556	-	-	29,997,556	682,823	1,638,776	(1,638,776)	682,823
Total Electric System	$ 213,972,556	$ -	$ (4,645,000)	$ 209,327,556	$ 4,695,109	$ 10,942,756	$ (11,267,274)	$ 4,370,591

Eugene Water & Electric Board
Water System
Schedule of Bonded Debt (Including Current Portion) Transactions
December 31, 2004

	Principal				Interest			
	Outstanding January 1, 2004	Issued During Year	Matured During Year	Outstanding December 31, 2004	Outstanding January 1, 2004	Matured During Year	Redeemed During Year	Outstanding December 31, 2004
Water Revenue Refunding Bonds, with interest rates from 4.45% to 4.55%, maturing through 2006 (original issue $6,615,000)	$ 2,590,000	$ -	$ (825,000)	$ 1,765,000	$ 48,580	$ 101,293	$ (116,590)	$ 33,283
Water Revenue Bonds, with interest rates from 2.75% to 5.875%, maturing through 2030 (original issue $31,405,000)	31,405,000	-	-	31,405,000	679,250	1,630,199	(1,630,198)	679,251
Total Water System	$ 33,995,000	$ -	$ (825,000)	$ 33,170,000	$ 727,830	$ 1,731,492	$ (1,746,788)	$ 712,534

Audit Comments
(Disclosures and Comments Required by State Regulations)

Oregon Administrative Rules 162-10-050 through 162-10-320, the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required financial statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth following.

Report of Independent Auditors on Internal Control and Other Comments and Disclosures Required by State Regulations

To the Board of Commissioners of
Eugene Water & Electric Board

We have audited the financial statements of Eugene Water & Electric Board as of and for the year ended December 31, 2004, and our report thereon dated February 2, 2005, except for Notes 2 and 13 which are as of March 25, 2005, which include an additional paragraph related to a change in the accounting for physically settled derivative contracts not held for trading purposes as well as a paragraph related to a restatement to include the Trojan Project Fund.

Internal Control

In planning and performing our audit of the financial statement of Eugene Water & Electric Board as of and for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control and its operation that we consider to be material weaknesses. We noted other matters involving the internal control and operations, which we will report to management in a separate letter dated April 21, 2005.

Other Comments and Disclosures

In connection with our audit, nothing came to our attention that caused us to believe Eugene Water & Electric Board was not in compliance with the following matters. However, our audit was not directed toward obtaining knowledge of noncompliance with such requirements. The matters include:

- the collateral requirements for public fund deposits specified in ORS 295;
- the appropriate laws, rules and regulations, including financial reporting, pertaining to programs funded wholly or partially by other governmental agencies;
- ORS 294.035 in the investment of public monies;
- ORS 279 in the awarding of public contracts and the construction of public improvements; and

- the Cost Accounting Guidelines developed by the State Executive Department.

Additionally, we make the following other comments:

- We found the Board's accounting records to be adequate for audit purposes.

- We reviewed the Board's insurance and fidelity bond coverage at December 31, 2004 and ascertained such policies appeared to be in force. We are not competent by training to state whether the insurance policies covering Board-owned property in force at December 31, 2004 are adequate.

This report is intended for the information of the members of the Board of Commissioners, management and the Secretary of State, Audits Division, of the State of Oregon.

PricewaterhouseCoopers LLP

Ann Rhoads

Ann E. Rhoads, Partner
March 25, 2005