EWEB

Eugene Water & Electric Board

Independent Auditor's Reports and Financial Statements

December 31, 2008 and 2007

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Eugene Water & Electric Board

Board of Commissioners

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Mr. John Simpson, Wards 1 & 8, Vice President

Mr. John H. Brown, "At Large," Member

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Mr. Bob Cassidy, Wards 2 & 3, Member

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Ms. Krista K. Hince, Assistant Secretary

Mr. James H. Origliosso, Treasurer

Ms. Catherine D. Bloom, Assistant Treasurer

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Eugene Water & Electric Board

We have audited the accompanying balance sheets of the Electric System, Water System and Combined Total Systems of Eugene Water & Electric Board (Board) as of December 31, 2008 and 2007 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of December 31, 2008 and 2007 and the results of its individual and combined operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis preceding the financial statements is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial information included as supplementary information following the financial statements and notes to financial statements is provided for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and we do not express an opinion on it.

Moss Adams LLP

Portland, Oregon
February 11, 2009

A Partner of Moss Adams LLP
Certified Public Accountant

The Eugene Water & Electric Board (EWEB) commenced operation in 1912 and is the largest publicly owned electric and water utility in Oregon. It produces approximately 18% of the generation required to serve loads and purchases the remainder from the Bonneville Power Administration (Bonneville) and other sources. Drinking water is obtained from the McKenzie River, a glacially fed source of the purest water available nationally. Its 514 employees serve a community of 146,000 including the University of Oregon as well as several surrounding areas outside of the city.

EWEB is an administrative unit of the City of Eugene, Oregon (the City) with responsibilities for operation of the water and electric utilities delegated by City Charter to the publicly elected board of five commissioners. The Board operates vertically integrated electric and water utilities with 86,700 electric and 50,600 water customers.

Significant Accomplishments

During 2008 several large and long-standing uncertainties were resolved. This positions the utility well and sets a solid foundation for making future decisions. The resolved issues include:

- execution of a 20-year power supply contract with Bonneville to serve the majority of EWEB loads beginning October 2011,
- settlement of a legal dispute with the State of California and other California parties about contracts executed during the 2001 West Coast energy crisis,
- settlement of a long-standing legal dispute with Bonneville over the allocation of benefits related to the Residential Exchange Program,
- agreement with federal, state, and local environmental agencies over the improvements to fisheries as part of the new Carmen Smith Hydroelectric Project license,
- settlement of a legal dispute with retirees and employees over changes to Other Post Employment Benefits (OPEB), and
- completion of a 5-year collective bargaining agreement with all represented employees.

Also during 2008, several important milestones were achieved in the operation of the electric and water utilities:

- Completion of the Willamette Substation reconstruction to provide more reliable electric service to the downtown core
- Reduction in average per customer electric outage frequency from .50 outages/customer to .44 outages/ customer
- Acquisition of 1.9 megawatts of new energy conservation, primarily through commercial and industrial measures
- Groundbreaking on the new Roosevelt Operations Center to support more efficient engineering and field operations in both the Electric and Water utilities
- Initiation of a 12 million gallon per day expansion to production facilities at the Hayden Bridge Filtration Plant

- Graduation from the Oregon Occupational Health and Safety Administration (OR-OSHA) Safety and Health Recognition Program (SHARP) recognizing best practices and employee safety performance

EWEB provided leadership to the community during 2008 through a number of community-centered activities:

- Leading a downtown master planning effort to determine the highest and best use of EWEB-owned riverfront property expected to be vacated with the completion of the Roosevelt Operations Center
- Achieving record-high donations to the Customer Care Program to assist low-income customers in paying utility bills
- Upgrading facilities to support the 2008 Olympic Trials and 2010 NCAA Championships for track and field events

Financial performance for 2008 continued on an upward trend with the successful completion of a reserve-building strategy in the electric utility and increased rate funding for aging infrastructure in the water utility. Tax-exempt bonds were issued in both utilities during an environment of increasingly tightened credit and with a credit rating upgrade by Standard & Poors.

Financial results were affected by the cessation of operations of the Hynix semiconductor plant late in the year. Hynix had been the largest water customer (589 million gallons) and the second largest electric customer (23 megawatts). The closure of the Hynix plant had the short-term effect of freeing up substantial additional power for sale into wholesale markets, thus providing a net benefit to other customers through 2011. However, the plant's closure is expected to reduce revenues for the water utility by $900,000 which is to be mitigated through retail rate actions in 2009. Over the longer-term, loss of Hynix electric sales are expected to be replaced by substantial increases in load related to expansion of University of Oregon operations.

The following discussion and analysis of the financial performance of EWEB provides a summary of the activity for the years ended December 31, 2008, 2007 and 2006. This discussion and analysis should be read in combination with the financial statements.

Financial Policies and Controls

EWEB'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 above the average of publicly owned electric and water utilities. Planning is guided by ten-year forecasts of balance sheet, operating, and capital items. These tools are used to identify the impacts of anticipated initiatives and to devise strategies to meet the Board's financial objectives.

Board financial performance is reflected in evaluations of creditworthiness performed by the major credit rating agencies. These are the current underlying ratings:

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

The Standard and Poors rating reflects an upgrade from AA- of the prior year.

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. Retail sales comprise 62% of revenues with wholesale sales accounting for 38% of revenues. Heating load and general economic conditions are the primary influences on retail sales. During 2008, retail load decreased by 3.8% from 2007, including the closure of the Hynix semiconductor plant, which was the second largest electric customer. (Load was stable in 2007 after an increase of 2.3% in 2006.)

EWEB sets budgets and power supply forecasts conservatively. Budgets assume that available water for generation will be 85% of the historical average. When the amount of water for generation is greater than 85%, additional funds are held in reserves to offset potential deficits in future years. Water available for generation in 2008 was 94% of normal (93% and 101% in 2007 and 2006, respectively) contributing to substantial deposits to cash reserve accounts.

Since the majority of EWEB's power supply comes from hydroelectric generation, financial performance of the electric utility is largely influenced by the availability of water for generation in excess of 85% of normal and the prices obtainable for excess generation in the wholesale markets. Substantial wholesale sales activity complements sales to retail customers and provides a stabilizing portfolio effect.

During 2008, the electric system purchased 50% of its power from Bonneville (47% in 2007 and 53% in 2006). The majority of power purchased from Bonneville is provided under a "Slice of System" contract. Under the Slice agreement EWEB has rights to 2.4% of the output of the federal Bonneville system. The remainder is obtained under a standard output (Block) contract. At critical water conditions (i.e., lowest on historical record) the Block and Slice output, together with EWEB's self-generation is sufficient to serve retail load. The price of Slice power is set assuming critical water conditions. When water conditions are above critical, the resulting secondary output is obtained at no additional charge. To the extent there is excess secondary power available above that necessary to serve retail load, the excess is sold into wholesale power markets. Retail rates are lower when wholesale volume and prices are higher. Wholesale price levels are supported by output sales into forward markets and by financial instruments that have the effect of setting minimum prices for sales of secondary power.

Financial performance during 2008 resulted in the accomplishment of the objectives of the Reserve Building Strategy embarked upon by the Board in the wake of the 2001 energy crisis and the subsequent depletion of reserve balances. By the end of 2008, unrestricted cash reserves stood at $98 million against an overall reserve target of $79 million. (Total working cash and reserves were $78 million in 2007 and $58 million in 2006.) This provides a substantial amount of financial flexibility to the Board going forward which it can use to avoid additional debt and/or reduce existing liabilities and otherwise respond to economic uncertainties. The excess of reserves over the target provided the Board with the opportunity to use cash reserves to fund the development of the Harvest Wind Project rather than issue taxable bonds.

Financial Summary and Analysis

Electric system operating revenue increased by $17 million in 2008, with much of the increase due to an increase in wholesale sales volume and prices. Included in the 2008 revenue increase were significant one-time payments from the termination of a purchased power agreement and settlement of the Bonneville Residential Exchange Program dispute. Overall, retail sales decreased by $4 million. The decrease was primarily among commercial and industrial customers, most notably after the closure of Hynix. Residential sales saw a modest increase.

Operating expenses increased by $5 million during 2008. The cost of purchased power increased by $7 million due to increases in volume purchases and the unit prices. The increase in purchased power was offset by a decrease in administrative and general expense, which had been higher in 2007 due to the one-time payment of $7 million into the OPEB trust. (Operating expenses increased $10 million in 2007 due to increased purchased power and for payments to the OPEB trust, and $26 million in 2006 due to purchased power, wheeling, and a write off of previously capitalized conservation expenses.)

EWEB provides other post employment benefits (OPEB) to its retirees in the form of subsidies for health care premiums. During 2008, EWEB settled a lawsuit brought by employees and retirees contesting the legality of changes in the plan that had reduced those subsidies. The cost of the settlements was $4.4 million and was charged to administrative and general expense.

Operating revenues exceeded operating expenses at levels sufficient to accumulate additional cash reserves. Working cash and reserve balances increased by $20 million (and increased by $20 million and $11 million in 2007 and 2006, respectively).

Selected Financial Data

(in millions of dollars)

	2008	2007	2006
Operating revenues	$ 280	$ 263	$ 230
Operating expenses	(217)	(212)	(201)
Net operating income	63	51	29
Non-operating revenues	9	8	8
Non-operating expenses	(28)	(24)	(25)
Income before contributed capital	44	35	12
Contributed capital	1	4	4
Change in net assets	**$ 45**	**$ 39**	**$ 16**
Total assets	**$ 586**	**$ 494**	**$ 462**
Total liabilities	$ 320	$ 274	$ 281
Net assets			
Invested in capital assets, net of related debt	144	117	102
Restricted	8	6	5
Unrestricted	114	97	74
Total net assets	266	220	181
Total liabilities and net assets	**$ 586**	**$ 494**	**$ 462**

Capital construction is provided for through a combination of construction fees, cash flow from revenues and long-term revenue bonds. The electric system Capital Improvement Plan (CIP) (2009-2013) calls for major transmission/distribution substation replacements and improvements to related feeder systems. Also included in the CIP are substantial outlays for relicensing improvements to the Carmen-Smith Hydroelectric Generation Project, completion of the Roosevelt Operations Center, the Harvest Wind Project and the Advanced Metering Infrastructure project.

As of the end of 2008, the electric system had $540 million in plant in service, an increase of $25 million from 2007. Major additions during 2008 included replacement of the Willamette substation and transmission additions of $17 million. Capital additions were $18 million and $27 million in 2007 and 2006, respectively.

Significant construction work in progress at the end of 2008 included $10 million for the Roosevelt Operations Center, $9 million in improvements to the distribution system, and $5 million toward relicensing of the Carmen-Smith Hydroelectric Generation Project. Construction work in progress was $28 million and $23 million in 2007 and 2006, respectively.

Capital Assets

(in millions of dollars)

	2008	2007	2006
Production and land	$ 200	$ 195	$ 192
Transmission and distribution	259	243	232
General plant	81	77	75
Total utility plant in service	$ 540	$ 515	$ 499

Long-Term Debt

(in millions of dollars)

	2008	2007	2006
Current liabilities	$ 49	$ 49	$ 48
Noncurrent liabilities	271	225	233
Total liabilities	**$ 320**	**$ 274**	**$ 281**

Long-term debt increased by $46 million, including the issuance of $53 million in revenue bonds to finance the Roosevelt Operations Center in 2008. In addition, revenue bonds were issued to refinance at a lower interest rate, Series 1998C bonds, originally issued to finance the purchase of the Stone Creek Hydroelectric Generation facility.

Water System

The water system provides water to all areas within the City, and two water districts. During 2008 the water system sold approximately 9 billion gallons of water, 9% of which was 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 27 enclosed reservoirs with a combined storage capacity of 94 million gallons, 31 pump stations and over 800 miles of distribution mains.

Financial Summary and Analysis

Beginning in 2007 the Board initiated a multi-year effort to position the water utility to address the replacement of aging water infrastructure as many water mains and distribution facilities were installed over 80 years ago and have been experiencing an increasing rate of failure. This effort is to be funded through a multi-year program of retail rate increases directed toward increasing annual capital investment in the system. The rate increases are to be supplemented by additional long-term debt in the early years in order to have a significant effect on system performance.

During 2008, water system operating revenues increased by $3 million or 14%. This increase was largely attributable to a 17% retail rate increase effective May 2008, partially offset by lower consumption in 2008. Operating expenses decreased by $2 million (or 9%). In the third quarter of 2008, the water system received notice that its largest industrial customer (Hynix) was ceasing operations by the end of the current year. This negatively impacted operating revenue by $364,000 for 2008 and will have an annual impact of about $900,000 in the future.

Non-operating revenues consist primarily of interest revenues and system development charges. Non-operating expenses are primarily interest and other financing costs. Net operating income for 2008 was $5 million versus $680,000 in 2007 and a net operating loss of $36,000 in 2006. Improvements in each successive year were primarily driven by annual rate increases. However, 2007 net operating income was negatively impacted by a $1 million payment to the OPEB trust for past service costs. Lower operating expenses, as noted above, also contributed to improved net operating income in 2008. Non-operating expenses were $550,000 higher (29.4%) than in 2007. In 2007, non-operating expenses were $770,000 higher due primarily to changes in allocation of interest between the water and electric utility in 2007. The increase in non-operating expenses in the current year is primarily related to the settlement cost of the retiree OPEB lawsuit of $440,000.

Contributed capital was down from 2007 amounts due to much lower levels of contributed plant assets in 2008 associated with a general decline in construction activity and a resultant decrease in system development charges collected.

Selected Financial Data

(in millions of dollars)

	2008	2007	2006
Operating revenues	$ 20.9	$ 18.4	$ 17.3
Operating expenses	(16.0)	(17.7)	(17.3)
Net operating income	4.9	0.7	-
Non-operating revenues	1.4	1.3	1.3
Non-operating expenses	(2.4)	(1.9)	(1.1)
Income before contributed capital	3.9	0.1	0.2
Contributed capital	2.3	5.9	2.7
Change in net assets	**$ 6.2**	**$ 6.0**	**$ 2.9**
Total assets	**$ 109.6**	**$ 90.9**	**$ 83.0**
Total liabilities	$ 44.5	$ 32.0	$ 30.1
Invested in capital assets, net of related debt	49.2	43.0	34.4
Restricted	8.2	9.7	9.9
Unrestricted	7.7	6.2	8.6
Total net assets	65.1	58.9	52.9
Total liabilities and net assets	**$ 109.6**	**$ 90.9**	**$ 83.0**

Capital construction is provided through a combination of construction fees, cash flow from net revenues, and long-term revenue bonds.

At year-end 2008, the water system had $148 million invested in a variety of capital assets. Utility plant in service, net of accumulated depreciation, was $58 million representing an 8% increase from 2007. Significant additions were for the transmission and distribution system ($5 million) and source and production ($3 million). Net plant in service was $54 million in 2007, an increase of 11% over the prior year. Net plant in service was $48 million in 2006, a 7% increase over the prior year.

The water utility has substantial capital work in process ($17 million at year-end), including a major upgrade at the Hayden Bridge Filtration Plant, reservoir additions and upgrades and water main replacements and improvements. The Hayden Bridge project, at a total estimated cost of $11 million, will provide the capacity to treat an additional 12 million gallons per day, and is expected to be completed in 2009.

Capital Assets

(in millions of dollars)

	2008	2007	2006
Production and land	$ 36	$ 35	$ 34
Transmission and distribution	88	83	76
General plant	7	6	5
Total utility plant in service	$ 131	$ 124	$ 115

Long-Term Debt

(in millions of dollars)

	2008	2007	2006
Current liabilities	$ 4	$ 5	$ 3
Noncurrent liabilities	40	27	27
Total liabilities	$ 44	$ 32	$ 30

At year-end the water system had $37 million of revenue bonds outstanding versus $22 million at the end of 2007 and $23 million in 2006. In July 2008, $16 million in new revenue bonds were issued to fund capacity additions to the Hayden Bridge Filtration Plant and the replacement of storage, transmission and distribution facilities.

The 2007 update to the water system Capital Improvement Plan (CIP) specified a long-term program of renewals and replacements of distribution mains. Prior year versions of the CIP had projected the need for additional long-term source of supply and upgrades to the purification system. These capital improvement needs are expected to create upward pressure on retail rates for the next five years.

Water rates were increased 9.2% in May 2007 and 9.3% in May 2006 to account for multiple years of lower-than-projected water sales.Water rates increased again by 17% in May 2008 as part of a multi-year program of rate adjustments to fund the revised capital improvement program.

Economic Factors, Rates, and Outlook

During 2008, both the local and regional economies were impacted by the recent economic downturn and related credit crisis. The closure of the Hynix plant caused a decrease in load and retail revenue, but had an overall beneficial impact to net revenues of the electric utility. As a consequence of the Hynix closure and a decrease in economic activity, overall electric load is expected to decrease by 4% in 2009. The Board implemented a 1.8% electric rate decrease in 2008 to pass through reduction in Bonneville costs, and did not have any rate changes scheduled for 2009. However, in January of 2009, the Board of Commissioners approved a package of rebates to all residential customers and assistance targeted to customers experiencing financial hardship. The cost is expected to be $4.4 million. Except for an increase on the rates for the Windpower program, rates were stable in 2007 and had decreased by 1.8% in 2006.

Hynix was the single largest retail customer for the water utility, and its closure will drop forecasted consumption from 9.8 billion gallons in 2008 to about 9.1 billion gallons, or a 7% decrease. With the general decrease in economic activity, and the need for continuing expenditures as outlined in the capital plan, it is expected that significant yearly rate increases will be necessary over the next several years. A 20% water rate increase is scheduled for 2009 to fund the capital plan and to recover net revenues attributed to the closure of the Hynix plant.

BALANCE SHEETS - ASSETS
December 31, 2008 and 2007

	Electric System		Water System	
	2008	2007	2008	2007
ASSETS				
Utility plant in service	$ 539,854,487	$ 514,586,309	$ 130,781,998	$ 123,745,114
Less accumulated depreciation	286,258,018	273,792,949	72,966,529	70,143,150
Net utility plant in service	253,596,469	240,793,360	57,815,469	53,601,964
Property held for future use	2,802,783	2,790,038	989,578	989,578
Construction work in progress	40,608,490	28,062,705	16,646,566	11,303,298
Net utility plant	297,007,742	271,646,103	75,451,613	65,894,840
Customer deposit reserve	3,210,057	3,067,233	-	-
Construction funds	49,176,998	8,285,363	11,057,461	-
System development charge reserves	-	-	6,703,117	9,351,637
Investments for debt service	12,321,083	7,920,489	2,010,892	816,335
Restricted cash and investments	64,708,138	19,273,085	19,771,470	10,167,972
Cash and cash equivalents	4,227,965	2,278,453	2,075,247	2,462,968
Short-term investments	15,659,195	11,313,552	-	-
Designated cash and investments				
Purchased power reserve	32,271,265	28,099,916	-	-
Capital improvement reserve	18,805,638	10,894,088	2,644,448	3,402,745
Carmen-Smith reserve	20,485,736	21,025,739	-	-
Operating reserve	2,942,120	1,609,967	1,099,608	617,979
Pension and medical reserve	3,329,512	2,900,877	-	-
Receivable, less allowances	36,212,276	40,436,139	1,779,715	1,322,301
Note and interest receivable, Water	363,379	2,188,379	-	-
Materials and supplies	2,529,069	2,442,438	549,507	537,519
Prepaids	2,183,800	1,674,564	576,896	490,073
Option premiums short-term	4,015,457	3,927,099	-	-
Total current assets	143,025,412	128,791,211	8,725,421	8,833,585
Prepaid retirement obligation	16,681,942	17,626,202	3,661,888	3,869,165
Long-term receivables, conservation and other	5,031,299	5,333,741	-	-
Note receivable, Water	3,661,888	3,869,165	-	-
Deferred charges				
Preliminary investigations	28,757,375	19,392,677	-	-
Conservation assets	7,440,448	8,818,490	-	-
Derivatives at fair value	10,483,675	7,875,263	-	-
Option premiums long-term	346,500	3,147,648	-	-
Other deferred charges	8,699,700	7,836,619	2,008,962	2,117,947
Total other assets	81,102,827	73,899,805	5,670,850	5,987,112
Total assets	$ 585,844,119	$ 493,610,204	$ 109,619,354	$ 90,883,509

See accompanying notes.

BALANCE SHEETS - ASSETS
December 31, 2008 and 2007

Total Systems	
2008	2007
$ 670,636,485	$ 638,331,423
359,224,547	343,936,099
311,411,938	294,395,324
3,792,361	3,779,616
57,255,056	39,366,003
372,459,355	337,540,943
3,210,057	3,067,233
60,234,459	8,285,363
6,703,117	9,351,637
14,331,975	8,736,824
84,479,608	29,441,057
-	
6,303,212	4,741,421
15,659,195	11,313,552
32,271,265	28,099,916
21,450,086	14,296,833
20,485,736	21,025,739
4,041,728	2,227,946
3,329,512	2,900,877
37,991,991	41,758,440
-	-
3,078,576	2,979,957
2,760,696	2,164,637
4,015,457	3,927,099
151,750,833	135,436,417
-	
20,343,830	21,495,367
5,031,299	5,333,741
-	-
28,757,375	19,392,677
7,440,448	8,818,490
10,483,675	7,875,263
346,500	3,147,648
10,708,662	9,954,566
86,773,677	76,017,752
$ 695,463,473	$ 578,436,169

BALANCE SHEETS - LIABILITIES AND NET ASSETS
December 31, 2008 and 2007

	Electric System		Water System	
	2008	2007	2008	2007
LIABILITIES				
Payables	$ 29,317,456	$ 32,512,999	$ 1,419,061	$ 1,649,302
Accrued payroll and benefits	4,402,868	3,459,831	839,178	664,591
Accrued interest on long-term debt	5,027,143	4,093,655	720,136	418,490
Long-term debt due within one year	10,780,000	9,095,000	1,225,000	940,000
Note and interest payable, Electric	-	-	363,379	2,188,379
Total current liabilities	49,527,467	49,161,485	4,566,754	5,860,762
Long-term debt, bonds payable	235,219,121	191,424,153	35,783,476	21,218,228
Note payable, Electric	-	-	3,661,888	3,869,165
Derivatives at fair value	10,483,675	7,875,263	-	-
Other liabilities	3,753,306	3,590,158	483,482	993,107
Deferred revenue	20,000,000	20,000,000	-	-
Deferred credit-WGA	1,085,544	1,684,368	-	-
Total liabilities	320,069,113	273,735,427	44,495,600	31,941,262
NET ASSETS				
Invested in capital assets, net of related debt	149,934,417	116,746,036	49,241,856	43,004,468
Restricted	7,958,557	5,589,211	8,240,601	9,749,482
Unrestricted	107,882,032	97,539,530	7,641,297	6,188,297
Total net assets	265,775,006	219,874,777	65,123,754	58,942,247
Total liabilities and net assets	$ 585,844,119	$ 493,610,204	$ 109,619,354	$ 90,883,509

See accompanying notes.

BALANCE SHEETS - LIABILITIES AND NET ASSETS
December 31, 2008 and 2007

Total Systems	
2008	2007
$ 30,736,517	$ 34,162,301
5,242,046	4,124,422
5,747,279	4,512,145
12,005,000	10,035,000
-	-
53,730,842	52,833,868
271,002,597	212,642,381
-	-
10,483,675	7,875,263
4,236,788	4,583,265
20,000,000	20,000,000
1,085,544	1,684,368
360,539,446	299,619,145
199,176,273	159,750,504
16,199,158	15,338,693
115,523,329	103,727,827
330,898,760	278,817,024
$ 695,463,473	$ 578,436,169

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended December 31, 2008 and 2007

	Electric System		Water System	
	2008	2007	2008	2007
Residential	$ 83,444,630	$ 79,967,522	$ 10,757,919	$ 9,375,399
Commercial and industrial	90,433,756	97,775,537	9,073,216	8,168,374
Sales for resale and other	106,185,549	84,947,985	1,100,922	814,241
Operating revenues	280,063,935	262,691,044	20,932,057	18,358,014
Purchased power	120,795,602	113,486,135	-	-
System control	4,822,694	5,064,595	-	-
Wheeling	11,657,271	12,416,006	-	-
Steam and hydraulic generation	14,560,149	13,306,982	-	-
Transmission and distribution	17,123,568	16,895,019	5,542,125	5,069,443
Source of supply, pumping and purification	-	-	2,765,719	2,613,893
Customer accounting	8,541,642	7,839,559	1,142,470	1,201,049
Conservation expenses	7,041,011	7,398,435	403,907	592,624
Administrative and general	19,473,199	22,872,564	3,437,930	4,721,496
Depreciation on utility plant	12,711,109	12,398,226	2,753,118	3,476,062
Operating expenses	216,726,245	211,677,521	16,045,269	17,674,567
Net operating income	63,337,690	51,013,523	4,886,788	683,447
Interest earnings on investments	5,284,555	5,479,051	870,960	795,400
Allowance for funds used during construction	442,226	705,130	232,659	259,842
Other revenue	3,671,984	1,929,457	280,583	218,406
Non-operating revenues	9,398,765	8,113,638	1,384,202	1,273,648
Surplus revenue payments	12,460,842	12,028,224	-	-
Other revenue deductions	5,284,900	2,413,723	664,759	239,589
Interest expense and related amortization	10,786,374	10,104,432	1,874,480	1,731,732
Allowance for borrowed funds used during construction	(391,383)	(611,532)	(142,220)	(112,197)
Non-operating expenses	28,140,733	23,934,847	2,397,019	1,859,124
Income before contributed capital	44,595,722	35,192,314	3,873,971	97,971
Contributions in aid of construction	1,252,603	3,091,594	1,372,178	1,158,945
Contributed plant assets	51,904	981,322	118,550	3,253,804
System development charges	-	-	816,808	1,505,121
Contributed capital	1,304,507	4,072,916	2,307,536	5,917,870
Change in net assets	45,900,229	39,265,230	6,181,507	6,015,841
Total net assets at beginning of year	219,874,777	180,609,547	58,942,247	52,926,406
Total net assets at end of year	$ 265,775,006	$ 219,874,777	$ 65,123,754	$ 58,942,247

See accompanying notes.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended December 31, 2008 and 2007

Total Systems	
2008	2007
$ 94,202,549	$ 89,342,921
99,506,972	105,943,911
107,286,471	85,762,226
300,995,992	281,049,058
120,795,602	113,486,135
4,822,694	5,064,595
11,657,271	12,416,006
14,560,149	13,306,982
22,665,693	21,964,462
2,765,719	2,613,893
9,684,112	9,040,608
7,444,918	7,991,059
22,911,129	27,594,060
15,464,227	15,874,288
232,771,514	229,352,088
68,224,478	51,696,970
6,155,515	6,274,451
674,885	964,972
3,952,567	2,147,863
10,782,967	9,387,286
12,460,842	12,028,224
5,949,659	2,653,312
12,660,854	11,836,164
(533,603)	(723,729)
30,537,752	25,793,971
48,469,693	35,290,285
2,624,781	4,250,539
170,454	4,235,126
816,808	1,505,121
3,612,043	9,990,786
52,081,736	45,281,071
278,817,024	233,535,953
$ 330,898,760	$ 278,817,024

STATEMENTS OF CASH FLOWS
Years ended December 31, 2008 and 2007

	Electric System		Water System	
	2008	2007	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 284,755,040	$ 263,426,235	$ 20,085,934	$ 18,580,873
Other receipts	3,185,691	1,090,981	329,889	233,033
Power purchases	(117,052,060)	(113,996,279)	-	-
Payments to employees	(28,481,065)	(28,016,204)	(7,102,274)	(6,876,694)
Payments to suppliers	(62,053,610)	(54,356,592)	(6,585,817)	(6,907,536)
Surplus revenue payments	(12,279,584)	(12,283,127)	-	-
Net cash from operating activities	68,074,412	55,865,014	6,727,732	5,029,676
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investment securities	(289,182,405)	(139,988,165)	(29,085,822)	(13,484,482)
Proceeds from sale and maturities of investments	220,607,915	123,410,733	23,553,058	14,290,815
Interest on investments	6,392,184	4,489,431	899,660	659,927
Distributions from equity investment in WGA	400,000	200,000	-	-
Net cash from investing activities	(61,782,306)	(11,888,001)	(4,633,104)	1,466,260
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Conservation receipts from BPA	-	1,321,442	-	-
Loan to Water	-	(1,825,000)	-	-
Note proceeds from Electric	-	-	-	1,825,000
Note receipts from Water	2,032,277	51,175	-	-
Note payments to Electric	-	-	(2,032,277)	(51,175)
Net cash from non-capital financing activities	2,032,277	(452,383)	(2,032,277)	1,773,825
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from bonds	86,203,215	-	15,591,884	-
Refunding of bonds	(33,587,712)	-	-	-
Principal payments	(8,555,000)	(8,519,867)	(940,000)	(910,000)
Bond issuance costs	-	-	(306,342)	-
Additions to utility plant, net	(35,528,243)	(22,142,086)	(11,897,770)	(7,931,946)
Interest payments	(9,268,727)	(9,702,154)	(1,160,763)	(1,729,708)
Additions to preliminary surveys and other	(11,080,424)	(6,545,535)	-	-
Contributed capital	1,304,507	3,091,594	2,188,986	2,664,066
Net cash from capital and related financing activities	(10,512,384)	(43,818,048)	3,475,995	(7,907,588)
CHANGE IN CASH AND CASH EQUIVALENTS	(2,188,000)	(293,418)	3,538,346	362,173
CASH AND CASH EQUIVALENTS, beginning of year	28,085,264	28,378,682	9,127,955	8,765,782
CASH AND CASH EQUIVALENTS, end of year including cash and cash equivalents restricted or designated: $21,669,298 and $10,591,054 ($25,806,811 and $6,664,987 in 2007) for Electric and Water, respectively.	$ 25,897,264	$ 28,085,264	$ 12,666,301	$ 9,127,955

NON-CASH CAPITAL ACTIVITY:

In 2008, plant assets contributed by developers were $51,904 for the Electric System, and $118,550 for the Water System.

See accompanying notes.

STATEMENTS OF CASH FLOWS
Years ended December 31, 2008 and 2007

Total Systems	
2008	2007
$ 304,840,974	$ 282,007,108
3,515,580	1,324,014
(117,052,060)	(113,996,279)
(35,583,339)	(34,892,898)
(68,639,427)	(61,264,128)
(12,279,584)	(12,283,127)
74,802,144	60,894,690
(318,268,227)	(153,472,647)
244,160,973	137,701,548
7,291,844	5,149,358
400,000	200,000
(66,415,410)	(10,421,741)
-	1,321,442
-	-
-	-
-	-
-	-
-	1,321,442
101,795,099	-
(33,587,712)	-
(9,495,000)	(9,429,867)
(306,342)	-
(47,426,013)	(30,074,032)
(10,429,490)	(11,431,862)
(11,080,424)	(6,545,535)
3,493,493	5,755,660
(7,036,389)	(51,725,636)
1,350,345	68,755
37,213,219	37,144,464
$ 38,563,564	$ 37,213,219

STATEMENTS OF CASH FLOWS
Years ended December 31, 2008 and 2007

	Electric System		Water System	
	2008	2007	2008	2007
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES				
Net operating income	$ 63,337,690	$ 51,013,523	$ 4,886,788	$ 683,447
Adjustments to reconcile net operating income to net cash from operating activities				
Depreciation, net	12,465,070	12,398,226	2,753,118	3,476,062
Surplus revenue payments	(12,279,584)	(12,283,127)	-	-
Other revenue	3,702,259	1,988,815	280,583	218,406
Other revenue deductions	-	-	(660,111)	(224,748)
Equity income from WGA	(998,824)	(446,924)	-	-
(Increase) decrease in assets				
Receivables	4,223,863	(191,856)	(330,688)	114,813
Materials and supplies	(86,629)	134,343	(11,990)	(43,069)
Prepayments and special deposits	(597,594)	28,348	(285,272)	(224,989)
Conservation loans, net	(266,182)	1,099,973	(23,425)	(1,775)
Long-term receivables, other	757,916	19,200	-	-
Prepaid retirement obligation	944,260	944,260	207,277	207,277
Deferred charges	50,691	473,802	426,246	333,128
Increase (decrease) in liabilities				
Accounts payable, accrued payroll and benefits	(6,064,352)	2,039,324	21,008	399,033
Other liabilities	2,885,828	(1,352,893)	(535,802)	92,091
Net cash from operating activities	$ 68,074,412	$ 55,865,014	$ 6,727,732	$ 5,029,676

See accompanying notes.

STATEMENTS OF CASH FLOWS
Years ended December 31, 2008 and 2007

Total Systems	
2008	2007
$ 68,224,478	$ 51,696,970
15,218,188	15,874,288
(12,279,584)	(12,283,127)
3,982,842	2,207,221
(660,111)	(224,748)
(998,824)	(446,924)
3,893,175	(77,043)
(98,619)	91,274
(882,866)	(196,641)
(289,607)	1,098,198
757,916	19,200
1,151,537	1,151,537
476,937	806,930
(6,043,344)	2,438,357
2,350,026	(1,260,802)
$ 74,802,144	$ 60,894,690

Note 1 - Reporting entity

Eugene Water & Electric Board (Board or EWEB) 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 is responsible for the ownership and operation of the Electric and Water Systems, and the basic financial statements include these two Systems.

The Board provides energy and water service 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, river flow levels, licensing agreements and weather patterns. The Board is subject to various forms of regulation under federal, state and local laws and is subject to various Federal Energy Regulatory Commission (FERC) regulations. Laws and regulations are subject to change and may have a direct impact on the operations of the Board.

Notes receivable and payable between the electric and water utilities are eliminated in the Total Systems columns of the financial statements.

Note 2 - Summary of significant accounting policies

Method of Accounting
The Board maintains its accounting records in accordance with accounting principles generally accepted in the United States of America. As allowed by the governmental accounting standard board (GASB) statement No. 20, the Board has elected to apply 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 as well as all FASB statements and interpretations issued after that date, unless those pronouncements or opinions conflict with or contradict GASB pronouncements.

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.

Utility Plant in Service 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. Additions, renewals and betterments with a minimum cost of $5,000 or greater per item are capitalized. Repairs and minor replacements are charged to operating expenses. The cost of property and any removal cost is charged to accumulated depreciation when property is retired. Included in the Board's construction work-in-progress balance are certain costs associated with 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 utility plant to be depreciated over the estimated useful lives of the plant components. Depreciation is computed using straight-line group rates.

Cash Equivalents
For purposes of these statements, cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash, and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. The Board considers money market accounts and government investment pool holdings to be cash equivalents.

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.

Materials and Supplies
Materials and supplies provide for additions and repairs to utility plant and are stated at average cost.

Option Premiums
Premiums on option transactions are recorded as assets and amortized as each period of exercise expires over the term of each option.

Prepaid Retirement Obligation
In 2001, the Electric System issued $30 million in bonds to pay down a portion of the Board's unfunded actuarial liability for the State of Oregon Public Employees Retirement System. The Water System makes payments to the Electric System for its estimated share of the liability paid down, and both Systems treat the transaction as a prepayment amortized over the life of the bonds.

Preliminary Investigations
At December 31, 2008, the Electric System had $28.8 million in deferred costs for the preliminary investigation of several projects, which it believes will be viable in the future. Most of the balance was for application and settlement in relicensing the Carmen Smith Project; $9.2 million was for the Harvest Wind Project ($19.4 million at December 31, 2007 for Carmen Smith and the preconstruction phase of the Roosevelt Operations Center).

(Note 2 - Summary of significant accounting policies, continued)

Regulatory Deferrals
The Board has deferred revenues and costs to be charged to future periods as required by Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*, which states that recognition of revenues and expenses should be matched to the time periods when the revenues and expenses are included in rates.

- **Conservation Assets**
  Conservation assets for the Electric System represent installations of energy saving measures at the properties of its customers. The deferred balance is reduced as costs are recovered, which for the most part represent debt service payments included in rates for related borrowing. Conservation assets are amortized as other revenue deductions on the statements of revenues, expenses and changes in net assets.

- **Derivatives at Fair Value**
  Derivatives consist of electric and natural gas swap and option contracts. Unrealized gains and losses are marked to market using values quoted by trading exchanges or, for options, the Black Scholes method, and discounted to their present value.

- **Sick Leave**
  Employees achieving length of service and age requirements are paid 25% of their accrued sick leave upon retirement. The estimated liability for all future retirements is included in equivalent amounts with Other Deferred Charges and Other Liabilities. The obligation is expensed as Administrative and General costs as payments occur.

- **Net Pension Obligation**
  A net pension obligation for the Board's supplemental retirement plan is included in equivalent amounts with Other Deferred Charges and Other Liabilities.

- **Accreted Interest on Capital Appreciation Bonds**
  Capital appreciation bonds are issued with a deep discount payable when the bonds mature. Interest accrued, but not yet paid, is included in long-term debt. Retail rates include interest costs as they become payable on a cash basis.

- **Fair Value of Renewable Energy Certificates**
  Renewable Energy Certificates (RECs) are a tradable environmental attribute. Each certificate represents 1 megawatt hour of generation from a renewable generation resource. During 2008, the board recognized the fair market value of its portfolio of RECs as a deferred charge and an offsetting deferred liability.

(Regulatory Deferrals, continued)

- **Regulatory Credits-Net**
  Revenues obtained through current rates attributable to significant associated costs to be incurred in the future, are deferred (a decrease in operating revenue) and later recognized (an increase to operating revenue) during the periods when the associated costs are incurred. At December 31, 2008 and 2007, $20 million in revenue for the relicensing of Carmen Smith was deferred to future periods when those costs will be incurred.

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. These amounts are reported as a component of the new debt liability on the Balance Sheet.

Net Assets
Net assets consist of:

- **Invested in capital assets, net of related debt** are capital assets, net of accumulated depreciation and outstanding balances of any bonds and other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- **Restricted** net assets have constraints placed on their use. Constraints include those imposed by creditors (such as through debt covenants), contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or through enabling legislation.

- **Unrestricted** net assets are remaining amounts that are neither "restricted" nor "invested in capital assets, net of related debt."

Net assets as of December 31 are as follows:

	2008		2007	
	Electric System	Water System	Electric System	Water System
Invested in capital assets, net of related debt	$ 149,934,417	$ 49,241,856	$ 116,746,036	$ 43,004,468
Restricted for:				
Capital projects	443,617	246,728	1,762,377	-
Low income program	221,000	-	-	-
System development charges	-	6,703,117	-	9,351,637
Debt service	7,293,940	1,290,756	3,826,834	397,845
Unrestricted	107,882,032	7,641,297	97,539,530	6,188,297
	$ 265,775,006	$ 65,123,754	$ 219,874,777	$ 58,942,247

(Note 2 - Summary of significant accounting policies, continued)

Operating Revenue

Operating revenues are recorded on the basis of service delivered. Revenues are derived primarily from the sale and transmission of electricity and from the sale of water. Revenue is recognized when the power or water is delivered to and received by the customer. Approximately 15% of 2008 Electric System's retail revenues (17.2% of 2007) were the result of sales to two industrial customers. Approximately 2.6% of 2008 (4.3% of 2007) Water System's operating revenues were the result of sales to one industrial customer. Estimated revenues are accrued for power and water 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 wholesale customers.

Revenues are recorded net of the allowance for doubtful accounts. 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 for the year ended December 31, 2008 were $331,000 ($798,000 for 2007) for the Electric System, and $24,000 ($88,000 for 2007) for the Water System.

Surplus Revenue Payments

In accordance with Oregon Revised Statutes (ORS 225.270), the Electric System makes surplus revenue payments to the City of Eugene at the rate of 6% of retail sales and 17% of net margin on certain wholesale sales. The Board makes surplus revenue payments to the City of Springfield at the rate of 3% of retail sales for customers that lie within the boundaries of the City of Springfield. Total surplus revenue payments for the year ended December 31, 2008 were $12,461,000 ($12,028,000 for 2007).

Power Risk Management

The Board's Power Risk Management Guidelines set forth policies, limits and control systems governing power and fuel 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 speculative purposes.

In accordance with the policy guidelines, the Board utilizes derivative instruments to minimize its exposure to commodity price risk. Statement of Financial Accounting Standard (SFAS) No. 133 and related guidance requires that every derivative instrument be recorded on the balance sheet as an asset or liability measured at its fair value, on a mark-to-market basis, except as provided by the normal purchase and normal sales exception to that standard. These instruments include electricity options and natural gas swaps and options. It is the Board's policy to apply, as appropriate, the normal purchase and normal sales exception to SFAS No. 133. Purchases and sales of forward electricity contracts that require physical delivery and which are expected to be used or sold by the reporting entity in the normal course of business are generally considered "normal purchases and normal sales" under SFAS No. 133. These transactions are not required to be recorded at fair value in the financial statements. The contracts qualifying as normal purchases and normal sales as of December 31, 2008 have aggregate notional amounts totaling $58,889,000 ($64,582,000 for 2007) and extend through 2010. Certain purchases and sales of energy activities that are "booked out" (not physically settled) are reported on a net basis.

At December 31, 2009, net unrealized gains from derivative instruments aggregate $10,484,000 ($7,875,000 for 2007). The notional amounts under such contracts totaled $33,332,000 ($42,748,000 for 2007) and the contracts extend through 2010.

(Note 2 - Summary of significant accounting policies, continued)

Environmental Expenses
Environmental costs (i.e. fish and plant habitat enhancements) are expensed or capitalized depending upon their future economic benefits.

With regard to pollution, the Board implemented GASB Statement No. 49, *Accounting and Reporting for Pollution Remediation Obligations*, effective January 1, 2007, which requires recognition of legal obligations to clean up toxins. Expected cash outflows and potential recoveries are recorded as net expenses at current value, rather than the present value of future costs.

Reclassification
Certain prior year balances were reclassified to conform to current year presentation.

Note 3 - Utility plant

The major classifications and depreciable lives of utility plant in service at December 31, 2008 and 2007 are as follows:

Electric Utility Plant

	Depreciable Life -Years	**Balance at December 31, 2007**	Increases	Decreases	**Balance at December 31, 2008**
Land		$ 5,984,777	$ 2,230	$ -	$ 5,987,007
Steam production	10-25	18,174,465	2,083,190	-	20,257,655
Hydro production	36-50	157,557,378	2,998,997	-	160,556,375
Wind production	25	13,087,182	-	-	13,087,182
Transmission	33.3-50	50,900,358	6,187,438	-	57,087,796
Distribution	28.5	191,620,009	11,266,710	(514,170)	202,372,549
General plant	3-50	77,262,140	3,559,994	(316,211)	80,505,923
Total utility plant in service		514,586,309	26,098,559	(830,381)	539,854,487
Accumulated depreciation		(273,792,949)	(13,422,353)	957,284	(286,258,018)
Property held for future use		2,790,038	12,745		2,802,783
Construction work in progress		28,062,705	35,145,712	(22,599,927)	40,608,490
Net utility plant		$ 271,646,103	$ 47,834,663	$ (22,473,024)	$ 297,007,742

Water Utility Plant

	Depreciable Life -Years	Balance at December 31, 2007	Increases	Decreases	Balance at December 31, 2008
Land		$ 807,946	$ -	$ -	$ 807,946
Structure	50	24,761,001	1,862,812	-	26,623,813
Pumping	20	7,534,461	76,575	-	7,611,036
Purification	25	1,252,909	-	-	1,252,909
Transmission	28.5	17,250,570	-	-	17,250,570
Reservoirs	50	13,782,505	1,722,015	-	15,504,520
Distribution	28.5	38,149,949	2,365,543	-	40,515,492
Services, meters and hydrants	20-28.5	13,840,483	649,443	(21,090)	14,468,836
General plant	3-50	6,365,290	381,586	-	6,746,876
Total utility plant in service		123,745,114	7,057,974	(21,090)	130,781,998
Accumulated depreciation		(70,143,150)	(2,844,469)	21,090	(72,966,529)
Property held for future use		989,578	-	-	989,578
Construction work in progress		11,303,298	11,907,561	(6,564,293)	16,646,566
Net utility plant		$ 65,894,840	$ 16,121,066	$ (6,564,293)	$ 75,451,613

Contributed Capital

Contributions in Aid of Construction and System Development Charges are paid by developers to cover the cost of new electric and water infrastructure (capital assets). When developers install and cover the costs of the infrastructure directly, those assets are referred to as Contributed Plant Assets.

Note 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:

Restricted Cash and Investments

- **Customer deposit reserve** - Used to account for deposits collected from retail customers and held for future refund or application to customer account balances.

- **Construction funds** - Used to account for legally restricted cash and investments for the purpose of construction of capital projects. Funds include proceeds from the issuance of bonds and contributions from customers or contractors for construction projects.

(*Restricted Cash and Investment, continued)*

- **System development charge reserves** - Used to account for charges assessed and collected in conjunction with installation of new water services in the Water System and are restricted by State of Oregon Statutes to system enhancements and other related capital expenditures.

- **Investments for debt service -** Used to account for cash and investments which are restricted by Bond Indentures of Trust for future payment of principal and interest on debt.

Designated Cash and Investments

- **Purchased power reserve -** Used to account for cash and investments which the Board has designated to reserve for fluctuations in purchased power costs.

- **Capital improvement reserve -** Used to account for cash and investments which the Board has designated to reserve for capital improvements.

- **Carmen-Smith reserve** - Used to account for cash and investments which the Board has designated to reserve for relicensing and construction costs at the Carmen-Smith Hydroelectric Project.

- **Operating reserve -** Used to account for cash and investments which the Board has designated to maintain balances in the general account within target levels for payments of emergency operating costs and self-insured claims.

- **Pension and medical reserve -** Used to account for cash and investments which the Board has designated to reserve for pension and post-retirement medical costs.

Deposits with financial institutions are comprised of bank demand deposits and savings accounts. The total bank balances, as recorded in bank records at December 31, 2008, were $6,733,079. Of the bank balances, $502,039 were covered by federal depository insurance and $6,231,040 were collateralized with securities held by the pledging financial institution but not in the Board's name.

(Note 4 - Cash and investments, continued)

The Board's investments during the year, which included obligations of the U.S. Government, are authorized by State of Oregon Statutes and bond resolutions. As of December 31, 2008, the Board held the following investments (Electric and Water Systems combined):

Investment Type	Carrying Value	Weighted Average Maturity (Years)	% of Portfolio
Local Government Investment Pool	$ 35,277,174	0.003	19.1%
U.S. Agency Securities	149,456,778	0.641	80.9%
Total	$ 184,733,952	0.519	100%

The "weighted average maturity in years" calculation assumes that all investments are held until maturity.

As a means of limiting its exposure to fair value losses resulting from rising interest rates, the Board's investment policy limits at least 75% of its investment portfolio to maturities of less than 18 months. Investment maturities are limited as follows:

Maturity	Minumum Investment
Less than 30 days	5%
Less than 90 days	15%
Less than 180 days	25%
Less than 18 months	75%
Less than 3 years	100%

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the aforementioned investments, except for the investments in the Local Government Investment Pool, which are not evidenced by securities, are held in the Board's name by a third-party custodian.

Concentration of credit risk is the risk that, when investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. Of the Board's total investments as of December 31, 2008, 19% was invested in the State of Oregon Local Government Investment Pool and 81% in direct obligations of the U.S. Government. With the exception of pass-through funds, the maximum amount of pooled investments to be placed in the Local Government Investment Pool is limited by State of Oregon Statute to $42,220,131 as of December 31, 2008.

(Note 4 - Cash and investments, continued)

The Board's policy, which adheres to Oregon statutes, is to limit its investments to the top two ratings issued by nationally recognized credit rating organizations. As a general practice, and in a further effort to minimize credit risk, the Board invests primarily in U.S. agency investments and investments in the Local Government Investment Pool.

Cash and investments consisted of the following at December 31, 2008 and 2007:

				2008	2007
	Restricted Cash and Investments	Cash and Cash Equivalents and Short-term investments	Designated Funds	Total Carrying Amount	Total Carrying Amount
ELECTRIC SYSTEM					
Cash on hand	$ -	$ 11,497	$ -	$ 11,497	$ 11,800
Cash in bank	2,039	-	2,396,717	2,398,756	2,783,598
Investments in the State of Oregon local government investment pool	6,491,808	4,216,468	12,778,734	23,487,010	25,289,867
Investments - direct obligations of U.S. government	58,214,291	15,659,195	62,658,820	136,532,306	69,310,412
Total electric system	64,708,138	19,887,160	77,834,271	162,429,569	97,395,677
WATER SYSTEM					
Cash in bank	-	876,137	-	876,137	259,365
Investments in the State of Oregon local government investment pool	6,846,998	1,199,110	3,744,056	11,790,164	8,868,590
Investments - direct obligations of U.S. government	12,924,472	-	-	12,924,472	7,523,709
Total water system	19,771,470	2,075,247	3,744,056	25,590,773	16,651,664
	$ 84,479,608	$ 21,962,407	$ 81,578,327	$ 188,020,342	$ 114,047,341

Note 5 - Receivables

Significant receivables are as follows.

	2008		2007	
	Electric System	Water System	Electric System	Water System
Current receivables				
Accounts receivable	$ 30,883,541	$ 1,581,294	$ 36,763,692	$ 1,201,658
Allowance for doubtful accounts	(165,279)	(15,707)	(181,226)	(13,595)
Net accounts receivable	30,718,262	1,565,587	36,582,466	1,188,063
Conservation loans to customers	2,914,220	-	2,193,804	-
Interest receivable	994,976	150,723	583,945	47,422
Miscellaneous receivables	59,201	63,405	684,125	86,816
Insurance settlement	1,000,000			
Mutual aid storm labor	245,000			
Note receivable (Bonneville Power Administration)	225,093	-	241,799	-
Renewable Energy Production Incentive (REPI)	55,524	-	150,000	-
Receivables, less allowances	$ 36,212,276	$ 1,779,715	$ 40,436,139	$ 1,322,301
Long-term receivables				
Conservation loans to customers	3,670,414		$ 3,898,977	
Note receivable (Bonneville Power Administration)	965,270		1,190,942	
Miscellaneous	395,615		243,822	
Long-term receivables, conservation and other	$ 5,031,299		$ 5,333,741	

Note 6 - Payables

Current payables at December 31, 2008 and 2007 were as follows.

	2008		2007	
	Electric System	Water System	Electric System	Water System
Accounts payable	$ 20,357,992	$ 419,009	$ 25,102,099	$ 691,963
Construction payables	2,247,026	662,420	1,098,996	739,081
Contributions in lieu of taxes	1,276,688	-	1,095,430	-
Customer deposits	3,115,783	-	3,055,848	-
Miscellaneous payables	2,157,594	337,632	1,382,197	218,258
Preliminary investigations payables	162,373	-	778,429	-
Total payables	$ 29,317,456	$ 1,419,061	$ 32,512,999	$ 1,649,302

Note 7 - Other deferred charges and other liabilities

Other deferred charges and other liabilities at December 31, 2008 and 2007 were as follows.

	2008		2007	
	Electric System	Water System	Electric System	Water System
Other deferred charges				
Unamortized bond expense	$ 2,960,494	$ 936,459	$ 2,582,354	$ 694,714
Joint-use equipment	585,285	249,952	585,285	249,952
Lease prepayment	-	396,897	-	595,346
Unamortized loss on defeasance	-	-	-	28,038
Regulatory assets				
Interest rate swap - market value	-	-	114,269	-
Sick leave - upon retirement	1,305,789	286,637	1,430,091	313,922
Net pension obligation - supplemental retirement plan	853,959	139,017	943,900	235,975
Accreted interest - capital appreciation bonds	2,637,887	-	2,180,720	-
Fair value of renewable energy certificates	356,286	-	-	-
Other deferred charges	$ 8,699,700	$ 2,008,962	$ 7,836,619	$ 2,117,947
Other liabilities				
Unearned rent revenue	$ 595,346	$ -	$ 793,795	$ -
Environmental clean up	480,000	-	200,000	-
Member deposits - Public Agency Network	147,681	-	108,103	-
Miscellaneous	14,245	57,828	-	443,210
Regulatory liabilities				
Interest rate swap - market value	-	-	114,269	-
Sick leave - upon retirement	1,305,789	286,637	1,430,091	313,922
Net pension obligation - supplemental retirement plan	853,959	139,017	943,900	235,975
Fair value of renewable energy certificates	356,286	-	-	-
Other liabilities	$ 3,753,306	$ 483,482	$ 3,590,158	$ 993,107

Note 8 - Investment in WGA/deferred credit - WGA

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. In October 2006, the Agency accomplished a refunding of its debt, which allowed the Board to be repaid a significant portion of its remaining equity investment ($10,366,600 was repaid in 2006). The balance of the original investment at December 31, 2006 was $2,151,000, and it remained the same at the end of 2008. Repayment of the equity investment is not due until the Agency’s Series C 2006 debt is paid off, and it is further contingent upon the successful operation of the Project; it 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, 2008, the Board had a receivable in the amount of $395,600 ($206,300 at December 31, 2007) for cumulative preferred dividend on the remaining equity investment; revenue is included with investment earnings.

The investment in Western Generation Agency consists of the balance of the initial equity contribution, 50% of the Agency’s net income and losses, and distributions from excess cash. Because the Project Agreements allow distributions in excess of the Agency’s equity, the investment at December 31, 2008 was a negative balance of $1,086,000 ($1,684,000 at December 31, 2007) reflected as a deferred credit on the Board’s Balance Sheets. Under bond agreements, distributions to the Board are limited to $400,000 per year. During 2008 distributions of $400,000 were received (and $200,000 was received in 2007).

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 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.

Note 9 - Long-term debt

Long-term portion of bonds payable at December 31, 2008 and 2007 was as follows.

	2008	2007
Electric Utility System Revenue and Refunding Bonds		
1997 Series, 10-1-97 issue, Serial Bonds 4.80% - 5.00%, due 2009-2011	$ 2,775,000	$ 4,060,000
1998 Series, 2-1-98 issue		
Serial Bonds, 4.50% - 5.10%, due 2009-2015	-	8,335,000
Term Bonds, 5.00%-5.05%, due 2016-2022	-	23,875,000
1998 Series A, 11-15-98 issue		
Serial Bonds, 5.97%, due 2009	-	400,000
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 2009-2022	24,500,000	25,010,000
Capital appreciation, 7.13% - 7.21%, due 2023-2027	4,067,556	4,067,556
2001 Series B, 11-15-01 issue		
Serial Bonds, 4.00% - 5.25%, due 2009-2022	16,130,000	17,020,000
Term bonds, 5.00%, due 2023-2031	19,140,000	19,140,000
2002 Series A, 5-7-02 issue		
Serial Bonds 5.25%, due 2009-2011	3,245,000	4,745,000
2002 Series B, 6-1-02 issue		
Serial bonds5.70% - 5.90%, due 2009-2012	4,245,000	5,510,000
2002 Series C, 6-1-02 issue		
Serial Bonds 3.90% - 5.00%, due 2009-2022	9,415,000	9,945,000
2003 Series, 6-10-03 issue		
Serial Bonds 3.00% - 5.00%, due 2009-2023	34,105,000	35,935,000
2005 Series, 5-10-05 issue		
Serial Bonds, 3.75% - 5.0%, due 2009-2020	5,560,000	5,950,000
Term bonds, 4.50%, due 2021 & 2025	3,530,000	3,530,000
2006 Series, 8-24-06 issue		
Serial Bonds 4.00% - 4.50%, due 2009-2026	11,565,000	12,020,000
2008 Series, Revenue, 7-17-08 issue		
Serial bonds 4.00% - 5.00%, due 2009-2028	36,180,000	-
Term bonds, 5.00%, due 2029-2033	15,995,000	-
2008 Series, Revenue Refunding, 7-17-08 issue		
Serial Bonds 4.00% - 5.00%, due 2009-2022	30,505,000	-
	230,122,556	188,707,556
Add unamortized premium	4,112,552	2,420,545
Add accreted interest	2,637,887	2,180,720
Less unamortized refunding costs	(1,387,512)	(1,315,310)
Less unamortized discount	(266,362)	(569,358)
Electric System bonds payable	$ 235,219,121	$ 191,424,153

	2008	2007
Water Utility System Revenue and Refunding Bonds		
2000 Series, 6-1-00 issue, Serial Bonds 5.30%, due 2009-2010	$ 520,000	$ 1,015,000
2002 Series, 8-1-02 issue, Serial Bonds 3.25% - 4.70%, due 2009-2022	8,580,000	9,070,000
2005 Series, 8-16-05 issue		
Serial Bonds, 3.50% - 5.00%, due 2011-2025	8,360,000	8,360,000
Term bonds, 4.35%, due 2030	4,180,000	4,180,000
2008 Series, 7-17-08 issue		
Serial Bonds, 4.00% - 5.00%, due 2009-2026	6,600,000	-
Term bonds, 4.50% - 5.25%, due 2027-2038	8,755,000	-
Note payable - Electric		
11-15-01 issue, 6.32% - 7.21%, due 2009-2027	3,661,888	3,869,165
	40,656,888	26,494,165
Add unamortized premium	199,571	105,105
Less unamortized discount	(137,626)	(150,613)
Less unamortized refunding costs	(1,273,469)	(1,361,264)
Water System bonds and note payable	39,445,364	25,087,393
Total long-term portion of debt	274,664,485	216,511,546
Less inter-system payable	3,661,888	3,869,165
Total Systems long-term debt, bonds payable	$ 271,002,597	$ 212,642,381

The carrying amount and fair value of current and long-term debt at December 31, 2008 and 2007 were as follows:

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Electric System	$ 245,999,121	$ 257,069,571	$ 200,519,153	$ 209,960,371
Water System	37,008,476	39,564,275	22,158,228	24,153,140
Total bonds payable	$ 283,007,597	$ 296,633,846	$ 222,677,381	$ 234,113,511

(Note 9 - Long-term debt, continued)

The schedule of maturities for principal and interest is as follows:

	Electric System		Water System	
	Principal	Interest	Principal	Interest
2009	$ 10,780,000	$ 12,065,142	$ 1,225,000	$ 1,728,328
2010	11,610,000	11,424,509	1,295,000	1,646,794
2011	12,345,000	10,898,120	1,225,000	1,589,409
2012	9,895,000	10,309,459	1,270,000	1,543,159
2013	8,990,000	9,849,768	1,325,000	1,494,396
2014 - 2018	58,645,000	41,392,633	7,495,000	6,609,248
2019 - 2023	75,142,106	26,388,268	8,475,000	4,796,312
2024 - 2028	30,170,450	24,060,526	6,520,000	3,196,114
2029 - 2033	23,325,000	3,222,250	5,115,000	1,751,153
2034 - 2038	-	-	4,275,000	696,150
	$ 240,902,556	$ 149,610,675	$ 38,220,000	$ 25,051,063

The resolutions authorizing the issuance of revenue bonds contain various covenants, sinking fund requirements and obligations with which the Board must comply. The principal and interest requirements are reflected in the supplementary schedule “Long-Term Bonded Debt and Interest Payment Requirements.” To comply with sinking fund deposit requirements, the Board deposits monthly one-twelfth of the annual deposit requirement with the trustee, less accumulated interest. The interest payments are made semi-annually on February 1 and August 1, and principal payments on August 1. At December 31, 2008 and 2007, no assets were pledged as security for the outstanding bonds of the Electric and Water Systems.

In July 2008 the Board issued $53,350,000 in Electric Utility Revenue Serial and Term Bonds with interest rates from 4.00% to 5.00%, maturing through 2033, with an effective yield of 4.83%, for the Roosevelt Project; and $31,055,000 in Electric Utility Revenue Bonds refunding the Series 1998 Electric Revenue Refunding Bonds, with interest rates from 4.00% to 5.00%, maturing through 2022, with an effective yield of 4.47%, a net difference in aggregate debt service between refunding and refunded debt of $1,666,248, and a net economic gain of $1,200,882. Also in July 2008 the Board issued $15,595,000 in Water Utility Revenue Serial and Term bonds with interest from 4.50% to 5.05%, maturing through 2038, with an effective yield of 4.93%, for various capital projects.

As of December 31, 2008, the amount of defeased debt still outstanding but removed from the Board’s long-term debt amounted to $19,470,000 for the Water System. The refunded bonds constitute a contingent liability of the Board only to the extent that cash and investments presently in the control of the refunding trustees are not sufficient to meet debt service requirements, and are therefore excluded from the financial statements because the likelihood of additional funding requirements is considered remote.

Long-term debt activity for the year ended December 31, 2008 was as follows:

	Outstanding January 1, 2008	Issued During Year	Redeemed During Year	Outstanding December 31, 2008
Electric Revenue Bonds, with interest rates from 3.0% to 6.85%, maturing through 2033 (original issue $267,005,000)	$ 75,975,000	$ 53,350,000	$ (3,240,000)	$ 126,085,000
Electric Revenue Refunding Bonds, with interest rates from 2.0% to 5.25%, maturing through 2022 (original issue $158,245,000)	92,360,000	31,055,000	(37,675,000)	85,740,000
Electric Revenue Current Interest Bonds, with interest rate of 6.32%, maturing through 2027 (original issue $29,997,556)	29,467,556		(390,000)	29,077,556
Total Electric System	197,802,556	84,405,000	(41,305,000)	240,902,556
Water Revenue Refunding Bonds, with interest rates from 3.5% to 5.0%, maturing through 2030 (original issue $19,155,000)	12,540,000	-	-	12,540,000
Water Revenue Bonds, with interest rates from 2.75% to 5.30%, maturing through 2038 (original issue $47,000,000)	11,025,000	15,595,000	(940,000)	25,680,000
Total Water System	23,565,000	15,595,000	(940,000)	38,220,000
Total bonded debt	$ 221,367,556	$ 100,000,000	$ (42,245,000)	$ 279,122,556

In 2004, the Board entered into a fixed-to-floating LIBOR interest rate swap to help convert a portion of its fixed long-term debt portfolio. This changed the Board's interest rate costs relative to the Series 1998A bonds and provided a variable rate debt component within its overall debt portfolio. In the swap transaction, the counterparty paid the Board a fixed 3.65 percent interest rate on $10,945,000 declining notional amount for four years. The Board paid the counter-party if the 30-day LIBOR interest rate was higher than 3.65 percent. The Board paid $81,000 to the counter-party in 2008 ($187,000 in 2007). The swap terminated as of August 2008. The Board has deferred $0 as of December 31, 2008 ($114,300 as of December 31, 2007) in net unrealized loss for the interest rate swap. In 2007, an equivalent amount was recognized as an asset in deferred charges and as a liability in other liabilities.

Note 10 - Power supply resources

Bonneville Power Administration

- **Bonneville Power Contracts**
  The Board has a power contract with Bonneville for the purchase of power equal to its full federal entitlement running from October 1, 2001 through September 30, 2011. The amount is equal to approximately three quarters of the Board's current retail load. The Board selected a combination of both "Block" and "Slice of System" power products from those offered by Bonneville. Each component provides attributes that add different kinds of flexibility to the Board's power portfolio. The "Block" product provides a fixed quantity of power to EWEB that varies according to a monthly annual schedule and adjustments for conservation. Block deliveries were approximately 118 aMW in 2008 and 2007. The "Slice" product consists of a 2.4% Slice share of Bonneville's Federal Base System generation. The annual share remains fixed and will not be adjusted to reflect increases or decreases in a customer's net requirements or individual resources during the term of the contract. The Board's percentage share also will not be adjusted to reflect increases or decreases in the output of the Slice System. However, the amount of actual power received under the Slice Product contract will vary with the performance of the federal based system. In years of heavy water flow, the Board may have rights to power that may be in excess of their needs, and in poor water years the Board would need to augment its share of Slice output with their own generation or market purchases. In December of 2008, the Board entered into agreements with Bonneville for Block and Slice running from October 1, 2011 through September 30, 2028. The amount of power the Board will be entitled to under these contracts will be determined based on the Board's actual load during the period between October 1, 2009 and September 30, 2010.

- **Bonneville Transmission Contract**
  In 2001, the Board signed the Network Integration Transmission Service (NT) contract with Bonneville to provide transmission for the Board's generation projects and Bonneville power contracts. The current contract term extends through December 31, 2011.

EWEB-Owned Resources

- **Carmen-Smith and Trailbridge Hydroelectric Project**
  EWEB owns and operates the Carmen-Smith Hydroelectric Project (Carmen-Smith Project) within the McKenzie River basin. The Carmen-Smith Project includes two generating units with a nameplate capacity of 52 MW each. The Carmen-Smith Project also includes the Trailbridge re-regulating facility, which includes an additional generating unit with a nameplate capacity of 10 MW. The operating license for the Carmen-Smith Project expired on November 30, 2008. The Board submitted an application to relicense the facility to FERC on November 30, 2006. The Board received, and will continue to receive, an annual operating license until a decision is made regarding a new license. In October of 2008, the Board entered into settlement agreement with sixteen interested governmental, tribal and non-governmental parties, and submitted an Offer of Settlement to FERC to supplement the license application. The Settlement Agreement provides recommendations for measures that address the resources affected by the continued operation of the Project. The current FERC timeline projects that a final license will be issued in February of 2010.

- **International Paper Industrial Energy Center Cogeneration Project**
  The Board and International Paper Company cooperatively operate a cogeneration facility at the International Paper Springfield plant. The unit, which has a nameplate capacity of 51.2 MW (average output is approximately 20 MW), is owned by the Board, with International Paper providing operation and fuel. Under terms of the current agreement (which expires in 2015), the project costs and output for this unit are shared equally by the parties.

- **Leaburg-Walterville Hydroelectric Project**
  The Board also owns and operates the Leaburg-Walterville Hydroelectric Project (L-W Project) on the McKenzie River in Lane County, Oregon. The L-W Project is comprised of two facilities located at different points on the McKenzie River. The Leaburg facility includes a diversion dam on the McKenzie River, a canal and two generating units with a combined nameplate capacity of 15.5 MW. The Walterville facility includes a canal that diverts water from the McKenzie River and one generating unit with a nameplate capacity of 9 MW. In 2001, FERC granted the Board a new hydroelectric license for the L-W Project. The new license is for a term of 40 years.

(EWEB-Owned Resources, continued)

- **Stone Creek Hydroelectric Project**
  The Stone Creek Project has one turbine with a peak capability of 12 MW. The facilities are on the Clackamas River approximately 45 miles southeast of Portland. The project is a run-of-the-river development located between two hydroelectric facilities that are owned and operated by PGE. The facility is operated and maintained under contract with PGE, and is licensed through 2038.

- **Smith Creek Hydroelectric Project**
  The Smith Creek project is a run-of-the-river hydroelectric project on Smith Creek, a tributary of the Kootenai River in Northern Idaho. It is comprised of three units with a combined nameplate capacity of 36 MW. In April 2001, the Board took ownership of the project, which is licensed through 2037.

- **Foote Creek I Wind Project**
  The Board and PacifiCorp are the joint owners of the Foote Creek I Wind Project with the Board having a 21.21% ownership, which translates to 8.8 MW of the project capacity. The project is located along the Foote Creek Rim in Carbon County, Wyoming. EWEB has sold 26% or 2.3 MW of its share to Bonneville under terms of a 25-year power purchase agreement, pursuant to which Bonneville has committed to purchase 15.3 MW of the Project's total capacity. Net of sales to Bonneville, the Board receives approximately 2.5 average MW per year from the Foote Creek I Project.

Contract Resources

- **Priest Rapids and Wanapum Hydroelectric Projects**
  The Board has entered into agreements with Public Utility District No. 2 of Grant County, Washington (Grant County PUD) for the purchase of power from the Priest Rapids Project and the Wanapum Project, two large hydroelectric projects on the Columbia River in Washington. Together, the two projects currently provide the Board with a peak capability of 36 MW and 20 aMW of energy annually. A new power purchase contract with Grant County PUD went into effect November 1, 2005. Under this contract, EWEB will continue to purchase power from Grant County PUD, but the volume of that power will diminish over time as Grant County PUD's load grows. Current estimates are for power deliveries of about 15 aMW for the years 2006 through 2009. This contract will also replace the existing Wanapum contract that expires on October 31, 2009. Starting October 1, 2011, the Board will no longer purchase significant amounts of power from Grant County PUD, however, the Board's entitlement from Bonneville will be adjusted to compensate for the decrease in resources.

- **Stateline Wind Project**
  In 2002, the Board agreed to purchase 25 MW from Phase 1 of the Stateline Wind Project located in Walla Walla County, Washington and Umatilla County, Oregon. The contract for this power expires on December 31, 2026.

- **Klondike III Wind Project**
  The Board has agreed to purchase 25 MW from Phase 3 of the Klondike Wind project located near the town of Wasco in Sherman County, Oregon. The project consists of 200 wind turbines with total generating capacity of about 375 MW. The Board's 25 MW share translates to about 6.7% of total plant capability. The contract for this power expires on October 31, 2027.

Note 11 - Retirement benefits

1. Pension Plan

Plan Description
The Board participates in the Oregon Public Employees Retirement System (OPERS) and Oregon Public Service Retirement Plan (OPSRP). The pension plan is a multiple-employer defined benefit and a defined contribution plan that provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to general service and public safety employees of the state and a majority of local government employees and/or their beneficiaries. 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
State of Oregon 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 November of 2006, the Board elected to make a lump-sum payment to OPERS of $7.2 million which lowered the employer contribution rate and OPERS allocated to a "side account" which is tracked

(Pension Plan, continued)

separately for rate purposes. The Board's average contribution rate is 21.72% of covered payroll and based on the September 2008 rate order the new average rate is 16.81% effective July 1, 2009.
In December 2001, the Board elected to make a lump-sum payment of approximately $29.6 million, which had the effect of lowering the employer contribution rate. The lump-sum payment is recorded as another asset and is being amortized over the funding period of 26 years. The amortization was $1,152,000 for 2008 and 2007.

Annual Pension Cost

Because all participating employers are required by law to submit the contributions as adopted by the Retirement Board, and because employer contributions are currently 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 the annual pension cost. The Board's annual pension cost of $9,522,000 for OPERS was equal to the Board's required and actual contributions.

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
12/31/06	$ 9,282,000	100%
12/31/07	$ 9,038,000	100%
12/31/08	$ 9,522,000	100%

The required contribution was determined as part of the December 31, 2007, actuarial valuation using the projected unit credit method. The actuarial assumptions at December 31, 2007 included (a) 8% investment rate of return (b) projected salary increases of 3.75% per year, and (c) 2% per year for cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the assets was determined by the market value of assets. The unfunded actuarial accrued liability is being amortized as a level percentage of combined valuation payroll over a 20 year period.

Funding Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the plan was 90% funded. The actuarial accrued liability for benefits was $27.8 million, and the actuarial value of assets was $250 million, resulting in an unfunded actuarial accrued liability (UAAL) of $28.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $34.8 million, and the ratio of the UAAL to the covered payroll was 81%.

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/05	$ 215,616,585	$ 262,997,715	$ 47,381,130	82%	$ 31,425,822	151%
12/31/06	$ 238,601,224	$ 273,110,696	$ 34,509,472	87%	$ 32,956,073	105%
12/31/07	$ 250,008,813	$ 278,160,157	$ 28,151,344	90%	$ 34,788,039	81%

2. 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.

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, 2008, with the next actuarial valuation for the year ended December 31, 2008 scheduled to be completed during 2009.

The Board's pension liability and the annual required contribution rate were determined as part of the January 1, 2008 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% per year, cost-of-living adjustments of 2.0% per year for postretirement benefits and 1983 Group Annuity Mortality rate.

(The Supplemental Retirement Plan, continued)

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

Annual required contribution (ARC)	$	351,200
Interest on net pension obligation		73,390
Adjustment to ARC		(152,046)
Annual pension cost		272,544
Contributions made		328,000
Increase (decrease) in net pension obligation		(55,456)
Net pension obligation beginning of the year		1,048,432
Net pension obligation end of the year	$	992,976

The following table presents three-year trend information for the Board's Supplemental Retirement Plan:

Fiscal Year Ending		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Obligation
12/31/04	$	400,047	142%	$	1,310,759
12/31/05	$	364,557	136%	$	1,179,875
12/31/07	$	272,544	120%	$	992,976

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was 4.5% funded. The actuarial accrued liability for benefits was $2.5 million, and the actuarial accrued value of assets was $112,200, resulting in an unfunded actuarial accrued liability (UAAL) of $2.4 million. The Board has designated funds of $2.7 million to fund the supplemental retirement plan. Since the pension plan is a closed plan and funds are designated to fund remaining UAAL, the Board continues to fund the plan on a pay-as-you-go basis of approximately $330,000 a year.

The following table presents a schedule of funding progress for the Board's Supplemental Retirement Plan:

Actuarial Valuation Date		Actuarial Value of Assets		Actuarial Accrued Liability (AAL)		Unfunded AAL (UAAL)	Funded Ratio
1/1/05	$	219,119	$	3,321,548	$	1,102,429	6.6%
1/1/07	$	220,440	$	2,687,112	$	2,466,672	8.2%
1/1/08	$	112,200	$	2,500,363	$	2,388,163	4.5%

3. Post Employment Benefits Plan Other than Pensions

Plan Description
In addition to pension benefits, the Board provides post employment health care and life insurance benefits to all employees who retire under OPERS or OPSRP with at least 11 years of service. It is a single-employer defined benefit plan. Currently, 407 retirees or surviving spouses of retired employees and 487 active 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. In 2007 the Board created the Eugene Water & Electric Board Retirement Benefits Trust for other post employment benefits (OPEB) other than pensions. The OPEB trust issues a publicly available set of audited financial statements that can be obtained by writing to the Board.

Funding Policy
The contribution requirements of plan participants are established by the Board and may be amended from time to time. Contributions by the plan participants are based on either a flat rate or a percentage of the premium cost and vary by participant according to years of service, year of retirement, age, and/or plan coverage. In December of 2007, the Board deposited $8.2 million into the OPEB trust to begin funding the trust. It is the Board's intent to pay the actuarially determined OPEB cost annually to the trust. In 2008 the Board contributed $2.9 million into the plan.

Annual OPEB Cost
The Board's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC). The ARC is an amount actuarially determined, based on the entry age normal method, determined in accordance with the guidance of GASB Statement 45.

The ARC represents level funding, that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities over a period not to exceed twenty years. The Board's ARC of $2.9 million was equal to the Board's contribution. Therefore, as of year-end, the Board did not have an OPEB obligation (liability).

Other actuarial assumptions include a rate of return on investments of present and future assets of 7% and 10.5% annual rate increase in the per capita cost of covered health care benefits for 2008. The health care benefit rate is assumed to decrease gradually to 6% in the year 2017 and remain level thereafter. The salary scale assumption is 4.5% and the payroll growth rate is 4%.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include types of benefits provided at the time of each valuation and historical pattern of sharing of benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed

(Post Employment Benefits other than Pensions, continued)

to reduce short-term volatility in accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and the preceding year were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/07	$ 2,898,304	100%	$0
12/31/08	$ 2,848,678	100%	$0

Funding Status and Funding Progress

As of October 1, 2008, the most recent actuarial valuation date, the plan was 24% funded. The actuarial accrued liability for benefits was $34.1 million, and the actuarial value of assets was $8.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of $25.8 million.

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/07	$ 4,423,198	$ 29,051,340	$ 24,628,142	15%	$ 31,425,822	78%
10/1/08	$ 8,243,372	$ 34,051,732	$ 25,808,360	24%	$ 34,788,039	74%

Actuarial valuations on an ongoing plan involve estimates of the value reported and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Note 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. 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 Sheets.

Note 13 - Trojan Nuclear Plant

The Trojan Nuclear Plant (Project) is jointly owned by Portland General Electric Company (PGE), 67.5%; the City of Eugene, acting by and through Eugene Water & Electric Board, 30%; and Pacific Power and Light Company, 2.5%; as tenants in common. The Project ceased commercial operation in 1993 and is being decommissioned. In accordance with GASB No. 14, *The Financial Reporting Entity*, the Project is reported as a joint venture on the equity method of accounting.

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 Systems. As such, the equity interest in the Project is zero. However, under the terms of the original agreements, if one of the tenants in common fails to perform on their obligation for decommissioning costs, the other tenants may be liable. This obligation may not be covered under the Net Billing Agreement mentioned previously. However, the Board believes this risk is minimal.

In 2005, the Board on behalf of the Project issued $26,640,000 in refunding revenue bonds with $8,195,000 outstanding as of December 31, 2007. The bonds were retired in entirety in August 2008 and no Trojan debt remains as of year-end. The bonds were secured solely by a pledge of the receipts from Trojan Project fees and charges associated with the Two-Party Net Billing Agreement with BPA. The bonds were considered conduit debt and as such were not required to be recorded in the financial statements of the Board.

A summary of the unaudited balance sheet for EWEB's share of the Trojan Project as of September 30, 2008 and 2007 is as follows:

	2008		2007	
Assets				
Restricted cash and investments	$	-	$	719,665
Current assets		11,142,580		16,728,093
Long-term receivable, BPA, net		36,771,026		39,908,165
Deferred charges and other		-		261,607
Total assets	**$**	**47,913,606**	**$**	**57,617,530**
Liabilities				
Current liabilities	$	3,065,344	$	11,399,517
Long-term debt		-		-
Accumulated provision for decommissioning costs		44,848,262		46,218,013
Total liabilitites	**$**	**47,913,606**	**$**	**57,617,530**

The Trojan Nuclear Plant financial statements, as required under bond resolutions, can be obtained from Eugene Water & Electric Board.

Note 14 - Commitments and contingencies

Operations Center
The Board broke ground in 2008 for a new operations center to house much of its electric and water staff, equipment, and yard operations. Contractual commitments for construction were $59.8 million at December 31, 2008 ($2.4 million at December 31, 2007 for the preconstruction phase).

Electric Projects

- **Carmen-Smith Relicensing**
  Commitments, which were primarily for services to accomplish the settlement agreement submitted to FERC in 2008 (See Note 10), were $590,000 at December 31, 2008 for continued progress with this project ($1.2 million at December 31, 2007).

  An arrangement with the US Forest Service is to provide for maintenance and enhancement measures on the National Forest Service land where the project is located. The Board expects to make annual payments of varying, prescheduled amounts to the Forest Service in accordance with settlement provisions. The payments are to total approximately $1.5 million before inflation indexing over the life of the 50-year license.

(Electric Projects, continued)

- **Harvest Wind Project**
  The Board has entered into a joint ownership agreement to develop and operate the Harvest Wind Project. The Board's share of project costs may be as much as $48.6 million.

- **Substation**
  The Willamette Substation was rebuilt in 2008. At December 31, 2007, purchase orders for parts to accomplish the construction were $3.2 million.

Water Projects
Contractual commitments for construction were $7.5 million at December 31, 2008, for expansion of the Hayden Bridge filtration plant, and $1.7 million at December 31, 2007 for reservoir improvements and upgrades at the Hayden Bridge filtration plant.

Self-Insurance
The Board is exposed to various risks of loss because of the Board's self-insurance retention, up to the first $1,000,000 of exposure, per occurrence. Excess liability coverage protects the Board after the Board's self-insured limit is exhausted. However, public entities are also protected under State of Oregon tort limits ORS 30.260 – 30.300, which greatly reduces the cost of any single exposure to $500,000. Consequently, except in extreme cases, the Board's exposure is mitigated by law. The limit is subject to change by State of Oregon legislation.

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, 2008, a total claims liability of approximately $949,000 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
2006	General liability	$ 219,935	$ 723,631	$ (126,141)	$ 817,425
2007	General liability	$ 817,425	$ (242,837)	$ (184,092)	$ 390,496
2008	General liability	$ 390,496	$ 699,938	$ (141,434)	$ 949,000

Claims and Other Legal Proceedings

The Board is involved in various 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, 2008.

Supplemental Information

ELECTRIC SYSTEM
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2008

	Refunding Revenue Bonds 1997 Series 11-4-97		Revenue Bonds 1998 Series A 11-15-98		2001A Series Curent Interest 11-15-01	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 1,285,000	$ 199,075	$ 400,000	$ 636,657	$ 510,000	$ 1,580,632
2010	1,355,000	137,395	420,000	612,777	645,000	1,548,400
2011	1,420,000	71,000	450,000	586,653	790,000	1,507,636
2012	-	-	475,000	558,663	950,000	1,457,708
2013	-	-	505,000	529,118	1,125,000	1,397,668
2014	-	-	535,000	497,707	1,310,000	1,326,568
2015	-	-	570,000	464,430	1,520,000	1,243,776
2016	-	-	610,000	425,385	1,745,000	1,147,712
2017	-	-	650,000	383,600	1,990,000	1,037,428
2018	-	-	695,000	339,075	2,255,000	911,660
2019	-	-	740,000	291,468	2,545,000	769,144
2020	-	-	795,000	240,778	2,860,000	608,300
2021	-	-	850,000	186,320	3,200,000	427,548
2022	-	-	905,000	128,095	3,565,000	225,308
2023	-	-	965,000	66,099	867,106	3,097,894
2024	-	-	-	-	839,611	3,305,389
2025	-	-	-	-	814,720	3,520,280
2026	-	-	-	-	789,579	3,740,421
2027	-	-	-	-	756,540	3,913,460
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
	4,060,000	407,470	9,565,000	5,946,825	29,077,556	32,766,932
Less current	1,285,000	-	400,000	-	510,000	-
	$ 2,775,000	$ 407,470	$ 9,165,000	$ 5,946,825	$ 28,567,556	$ 32,766,932

ELECTRIC SYSTEM
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2008

	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
2009	$ 890,000	$ 1,803,363	$ 1,500,000	$ 249,113	$ 1,265,000	$ 320,871
2010	925,000	1,767,763	1,575,000	170,363	1,335,000	248,766
2011	960,000	1,730,763	1,670,000	87,675	1,415,000	171,336
2012	1,000,000	1,692,363	-	-	1,495,000	88,205
2013	1,040,000	1,652,363	-	-	-	-
2014	1,095,000	1,597,763	-	-	-	-
2015	1,155,000	1,540,275	-	-	-	-
2016	1,215,000	1,479,638	-	-	-	-
2017	1,275,000	1,415,850	-	-	-	-
2018	1,345,000	1,348,913	-	-	-	-
2019	1,415,000	1,278,300	-	-	-	-
2020	1,490,000	1,204,013	-	-	-	-
2021	1,565,000	1,125,788	-	-	-	-
2022	1,650,000	1,043,625	-	-	-	-
2023	1,735,000	957,000	-	-	-	-
2024	1,825,000	870,250	-	-	-	-
2025	1,915,000	779,000	-	-	-	-
2026	2,010,000	683,250	-	-	-	-
2027	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	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
	36,160,000	25,775,280	4,745,000	507,151	5,510,000	829,178
Less Current	890,000	-	1,500,000	-	1,265,000	-
	$ 35,270,000	$ 25,775,280	$ 3,245,000	$ 507,151	$ 4,245,000	$ 829,178

ELECTRIC SYSTEM
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2008

	Revenue and Refunding 2002 C Series 5-22-02		Revenue and Refunding 2003 Series 6-10-03		Revenue 2005 Series 05-10-05	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 530,000	$ 464,351	$ 1,830,000	$ 1,648,987	$ 390,000	$ 414,925
2010	550,000	443,681	1,890,000	1,594,088	405,000	400,300
2011	575,000	420,994	1,950,000	1,537,387	420,000	384,100
2012	600,000	396,556	2,035,000	1,459,388	440,000	366,250
2013	620,000	370,756	2,125,000	1,377,987	460,000	347,550
2014	650,000	343,476	2,200,000	1,292,988	480,000	326,850
2015	680,000	314,226	2,315,000	1,182,987	500,000	305,250
2016	710,000	282,776	2,435,000	1,067,238	525,000	282,750
2017	740,000	249,051	2,565,000	945,487	550,000	256,500
2018	775,000	213,531	2,695,000	817,238	570,000	234,500
2019	815,000	175,750	2,835,000	682,487	595,000	210,275
2020	855,000	135,000	2,985,000	540,738	615,000	184,988
2021	900,000	92,250	3,140,000	391,487	645,000	158,850
2022	945,000	47,250	3,300,000	234,488	675,000	129,825
2023	-	-	1,635,000	69,488	705,000	99,450
2024	-	-	-	-	735,000	67,725
2025	-	-	-	-	770,000	34,650
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
	9,945,000	3,949,648	35,935,000	14,842,463	9,480,000	4,204,738
Less Current	530,000	-	1,830,000	-	390,000	-
	$ 9,415,000	$ 3,949,648	$ 34,105,000	$ 14,842,463	$ 9,090,000	$ 4,204,738

ELECTRIC SYSTEM
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2008

	Revenue 2006 Series 08-24-06		Revenue 2008 Series 7/17/08		Refunding 2008 Series 7/17/08		Total Electric System Payments		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Totals
2009	$ 455,000	$ 499,852	$ 1,175,000	$ 2,666,179	$ 550,000	$ 1,581,137	$ 10,780,000	$ 12,065,142	$ 22,845,142
2010	470,000	481,651	1,320,000	2,519,375	720,000	1,499,950	11,610,000	11,424,509	23,034,509
2011	490,000	462,851	1,365,000	2,466,575	840,000	1,471,150	12,345,000	10,898,120	23,243,120
2012	510,000	440,801	1,420,000	2,411,975	970,000	1,437,550	9,895,000	10,309,459	20,204,459
2013	530,000	420,401	1,470,000	2,355,175	1,115,000	1,398,750	8,990,000	9,849,768	18,839,768
2014	550,000	399,201	1,540,000	2,281,675	1,690,000	1,343,000	10,050,000	9,409,228	19,459,228
2015	575,000	374,451	1,490,000	2,204,675	1,950,000	1,258,500	10,755,000	8,888,570	19,643,570
2016	600,000	348,576	1,565,000	2,130,175	2,235,000	1,161,000	11,640,000	8,325,250	19,965,250
2017	625,000	324,576	1,645,000	2,051,925	2,550,000	1,049,250	12,590,000	7,713,667	20,303,667
2018	655,000	299,576	1,725,000	1,969,675	2,895,000	921,750	13,610,000	7,055,918	20,665,918
2019	690,000	273,376	1,810,000	1,883,425	3,260,000	777,000	14,705,000	6,341,225	21,046,225
2020	720,000	245,776	1,905,000	1,792,925	3,650,000	614,000	15,875,000	5,566,518	21,441,518
2021	760,000	216,076	2,000,000	1,697,675	4,085,000	431,500	17,145,000	4,727,494	21,872,494
2022	795,000	184,726	2,095,000	1,597,675	4,545,000	227,250	18,475,000	3,818,242	22,293,242
2023	835,000	151,933	2,200,000	1,492,925	-	-	8,942,106	5,934,789	14,876,895
2024	875,000	116,863	2,300,000	1,393,925	-	-	6,574,611	5,754,152	12,328,763
2025	920,000	80,113	2,405,000	1,290,425	-	-	6,824,720	5,704,468	12,529,188
2026	965,000	41,013	2,520,000	1,176,188	-	-	6,284,579	5,640,872	11,925,451
2027	-	-	2,640,000	1,056,486	-	-	5,506,540	5,552,696	11,059,236
2028	-	-	2,765,000	931,088	-	-	4,980,000	1,408,338	6,388,338
2029	-	-	2,895,000	799,750	-	-	5,220,000	1,166,250	6,386,250
2030	-	-	3,040,000	655,000	-	-	5,480,000	905,250	6,385,250
2031	-	-	3,190,000	503,000	-	-	5,755,000	631,250	6,386,250
2032	-	-	3,350,000	343,500	-	-	3,350,000	343,500	3,693,500
2033	-	-	3,520,000	176,000	-	-	3,520,000	176,000	3,696,000
	12,020,000	5,361,812	53,350,000	39,847,391	31,055,000	15,171,787	240,902,556	149,610,675	390,513,231
Less Current	455,000	-	1,175,000	-	550,000	-	10,780,000	-	10,780,000
	$ 11,565,000	$ 5,361,812	$ 52,175,000	$ 39,847,391	$ 30,505,000	$ 15,171,787	$ 230,122,556	$ 149,610,675	$ 379,733,231

WATER SYSTEM
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2008

	Revenue Bonds 2000 Series 1-1-00		Revenue Bonds 2002 Series 7-16-02	
	Principal	Interest	Principal	Interest
2009	$ 495,000	$ 53,796	$ 490,000	$ 378,764
2010	520,000	27,560	505,000	362,839
2011	-	-	525,000	345,164
2012	-	-	545,000	326,264
2013	-	-	570,000	305,826
2014	-	-	595,000	283,596
2015	-	-	620,000	259,796
2016	-	-	645,000	234,221
2017	-	-	675,000	206,809
2018	-	-	710,000	178,121
2019	-	-	740,000	147,059
2020	-	-	780,000	113,759
2021	-	-	815,000	77,879
2022	-	-	855,000	40,185
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
	1,015,000	81,356	9,070,000	3,260,282
Less current	495,000	-	490,000	-
	$ 520,000	$ 81,356	$ 8,580,000	$ 3,260,282

WATER SYSTEM
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2008

	Revenue Bonds Refunding 2005 Series 7-26-05		Revenue Bonds 2008 Series 7/17/08		Total Water System Payments		
	Principal	Interest	Principal	Interest	Principal	Interest	Totals
2009	$ -	$ 532,455	$ 240,000	$ 763,313	$ 1,225,000	$ 1,728,328	$ 2,953,328
2010	-	532,455	270,000	723,940	1,295,000	1,646,794	2,941,794
2011	415,000	532,455	285,000	711,790	1,225,000	1,589,409	2,814,409
2012	430,000	517,930	295,000	698,965	1,270,000	1,543,159	2,813,159
2013	445,000	502,880	310,000	685,690	1,325,000	1,494,396	2,819,396
2014	460,000	487,305	320,000	671,740	1,375,000	1,442,641	2,817,641
2015	475,000	470,055	335,000	657,340	1,430,000	1,387,191	2,817,191
2016	500,000	451,055	350,000	642,600	1,495,000	1,327,876	2,822,876
2017	520,000	426,055	365,000	627,550	1,560,000	1,260,414	2,820,414
2018	545,000	400,055	380,000	612,950	1,635,000	1,191,126	2,826,126
2019	570,000	372,805	395,000	597,750	1,705,000	1,117,614	2,822,614
2020	600,000	344,305	415,000	581,555	1,795,000	1,039,619	2,834,619
2021	630,000	320,305	430,000	564,125	1,875,000	962,309	2,837,309
2022	655,000	295,105	450,000	545,850	1,960,000	881,140	2,841,140
2023	675,000	268,905	465,000	526,725	1,140,000	795,630	1,935,630
2024	705,000	241,230	490,000	505,800	1,195,000	747,030	1,942,030
2025	735,000	212,149	510,000	483,750	1,245,000	695,899	1,940,899
2026	765,000	181,830	535,000	460,800	1,300,000	642,630	1,942,630
2027	800,000	148,552	560,000	436,725	1,360,000	585,277	1,945,277
2028	835,000	113,753	585,000	411,525	1,420,000	525,278	1,945,278
2029	870,000	77,430	610,000	385,200	1,480,000	462,630	1,942,630
2030	910,000	39,585	635,000	357,750	1,545,000	397,335	1,942,335
2031	-	-	665,000	329,175	665,000	329,175	994,175
2032	-	-	695,000	299,250	695,000	299,250	994,250
2033	-	-	730,000	262,763	730,000	262,763	992,763
2034	-	-	770,000	224,438	770,000	224,438	994,438
2035	-	-	810,000	184,013	810,000	184,013	994,013
2036	-	-	855,000	141,488	855,000	141,488	996,488
2037	-	-	895,000	96,600	895,000	96,600	991,600
2038	-	-	945,000	49,611	945,000	49,611	994,611
	12,540,000	7,468,654	15,595,000	14,240,771	38,220,000	25,051,063	63,271,063
Less current	-	-	240,000	-	1,225,000	-	1,225,000
	$ 12,540,000	$ 7,468,654	$ 15,355,000	$ 14,240,771	$ 36,995,000	$ 25,051,063	$ 62,046,063

ELECTRIC SYSTEM
Analysis of certain restricted cash and investments for debt service
Year ended December 31, 2008

	Bond Funds Debt Service Account	Construction Funds	Customer Deposit Reserve	Total All Funds
Ending balance - December 31, 2007	$ 7,920,489	$ 8,285,363	$ 3,067,233	$ 19,273,085
Proceeds from bond issue	2,746,246	51,221,985	-	53,968,231
Deposits from general fund	20,333,420	-	-	20,333,420
Interest earnings	240,739	1,006,041	101,275	1,348,055
Other transfers	-	-	41,549	41,549
Receipts	23,320,405	52,228,026	142,824	75,691,255
Principal payments	8,555,000	-	-	8,555,000
Interest payments	9,012,083	-	-	9,012,083
Defeasance	1,352,728	-	-	1,352,728
Transfers to general fund	-	11,336,391	-	11,336,391
Disbursements	18,919,811	11,336,391	-	30,256,202
U.S. Government securities, at market	12,321,083	45,893,208	-	58,214,291
Cash in bank	-	-	2,039	2,039
State of Oregon Local Government Investment Pool	-	3,283,790	3,208,018	6,491,808
Ending balance - December 31, 2008	$ 12,321,083	$ 49,176,998	$ 3,210,057	$ 64,708,138

WATER SYSTEM
Analysis of certain restricted cash and investments for debt service
Year ended December 31, 2008

	Bond Funds Debt Service Account	SDC Reserves	Construction Funds	Total All Funds
Ending balance - December 31, 2007	$ 816,335	$ 9,351,637	$ -	$ 10,167,972
Proceeds from bond issue	763,313	-	14,828,571	15,591,884
Deposits from general fund	2,340,351	1,440,665	-	3,781,016
Interest earnings	35,269	339,218	127,829	502,316
Receipts	3,138,933	1,779,883	14,956,400	19,875,216
Principal payments	940,000	-	-	940,000
Interest payments	1,004,376	-	-	1,004,376
Transfers to general fund	-	4,428,403	3,898,939	8,327,342
Disbursements	1,944,376	4,428,403	3,898,939	10,271,718
U.S. Government securities, at market	2,010,892	2,030,000	8,883,580	12,924,472
State of Oregon Local Government Investment Pool	-	4,673,117	2,173,881	6,846,998
Ending balance - December 31, 2008	$ 2,010,892	$ 6,703,117	$ 11,057,461	$ 19,771,470

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 CERTIFIED PUBLIC ACCOUNTANTS ON THE EUGENE WATER & ELECTRIC BOARD'S COMPLIANCE AND CERTAIN ITEMS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON AUDITING STANDARDS

To the Board of Commissioners
Eugene Water & Electric Board

We have audited the accompanying financial statements of the Electric System, Water System and Combined Total Systems of Eugene Water & Electric Board (Board) as of and for the year ended December 31, 2008 and have issued our report thereon dated February 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules (OAR) 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The amount and adequacy of collateral pledged by depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal controls that might be a significant deficiency or material weaknesses. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Other audit observations are addressed in our letter to the Board of Commissioners dated February 11, 2009.

This report is intended for the information and use of management, Board of Commissioners and the Secretary of State, Division of Audits, of the State of Oregon. However, this report is a matter of public record and its distribution is not limited.

Moss Adams LLP

Portland, Oregon
February 11, 2009

A Partner of Moss Adams LLP
Certified Public Accountant

Rely on us.

EWEB

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