

EUGENE WATER & ELECTRIC BOARD

**INDEPENDENT AUDITOR'S REPORTS
AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2007 AND 2006

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BOARD OF COMMISSIONERS
500 East Fourth Avenue ▪ Eugene, Oregon 97401

Mr. Mel Menegat	President
Mr. John Simpson	Vice President
Mr. John H. Brown	Member
Mr. Ron Farmer	Member
Mr. Patrick Lanning	Member

OFFICERS
500 East Fourth Avenue ▪ Eugene, Oregon 97401

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Eugene Water & Electric Board

We have audited the accompanying balance sheets of the Electric System and Water System of Eugene Water & Electric Board (Board) as of December 31, 2007 and 2006 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, 2007 and 2006 and the results of its 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 audit of the financial statements and we do not express an opinion on it.

Moss Adams LLP

Portland, Oregon
February 7, 2008



A Partner of Moss Adams LLP
Certified Public Accountants

EUGENE WATER & ELECTRIC BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

Eugene Water & Electric Board (Board or EWEB) is an administrative unit of the City of Eugene, Oregon (City) and is responsible for the operation of the water and electric utilities of the City. The responsibilities delegated to the Board pursuant to the City Charter are conducted under the direction of a publicly elected board of five commissioners. The Board operates vertically integrated electric and water utilities that serve 87,000 electric customers and 50,400 water customers.

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. Current underlying ratings are:

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

Power Supply Risk Management Policies

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

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

Electric System

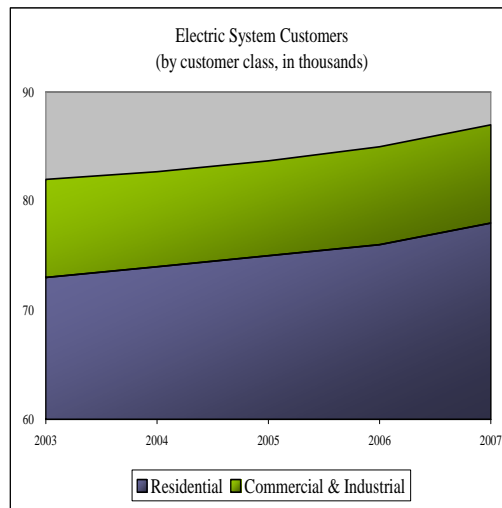
The Electric System serves a 238-square mile area, including the City and adjacent suburban areas. Power supply requirements are met primarily from hydroelectric sources, including self-generation and purchases from Bonneville Power Administration (BPA). Heating load and general economic conditions are the primary influences on retail sales. However, overall financial condition is influenced

EUGENE WATER & ELECTRIC BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

to a much greater degree by the availability of water for generation that is in excess of historically critical (i.e. lowest on historical record) conditions both locally and regionally.

The Electric System in 2007 purchased 47% of its power used to serve load from BPA (down from 53% in 2006), the majority of which is provided under a “Slice of System” contract. The remainder is obtained under a standard output (Block) contract. Under the Slice agreement EWEB has rights to 2.4% of the output of the federal BPA system. At critical water conditions 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. Sales prices are supported by output sales into forward markets and by financial instruments that have the effect of setting minimum price for sales of secondary power.

Beginning in 2005, EWEB changed its budgeting and forecasting process to assume that available water for generation is 85% of the normal precipitation. When the amount of water for generation is greater than 85%, additional funds are reserved by the Board to offset potential deficits in future years. Water available for generation in 2007 was 93% of normal (101% in 2006), thus contributing to substantial deposits to cash reserve accounts.



EUGENE WATER & ELECTRIC BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Summary and Analysis

During 2007 the Electric System's operating revenue increased by \$33 million (or 14.3%). In large part, this increase was due to the revenue deferral of \$20 million in 2006, without which the increase would have been \$13.5 million or 5.4%. Retail Sales (residential, commercial and industrial) increased by \$900 thousand (.5%) in comparison to 2006. Kilowatt Hour (KwH) Sales to retail customers were approximately 1.4% greater than 2006. The only electric rate adjustment during 2007 was for wind power. The most recent retail rate increase was 5.8% in 2006, which funded scheduled increases in Electric System debt service and provided funding for a higher level of renewable energy resources. Favorable performance of hydroelectric generation in the region for both 2006 and 2007 resulted in higher off-system wholesale sales of power surplus to retail needs. Consequently, in December 2006, the Board of Commissioners deferred \$20 million of revenue in accordance with Financial Accounting Standards Board Statement No. 71 (FASB 71) and directed the resulting cash to the Carmen-Smith equity reserve.

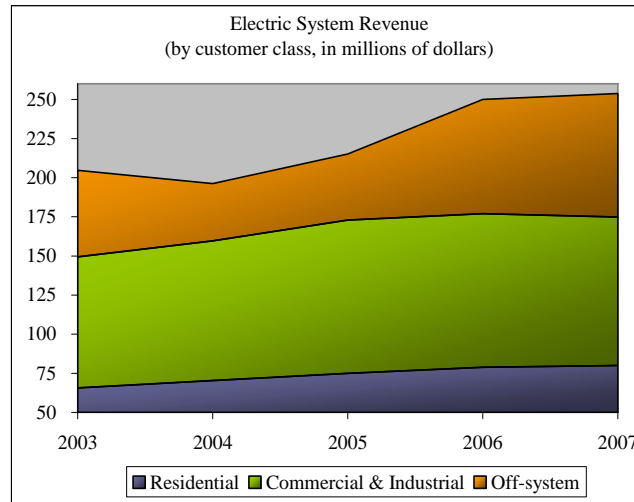
Operating expenses increased by \$10.5 million (or 5.2%) in 2007, most of which (\$8.2 million) is attributed to a lump sum payment into an Other Post Employment Benefit (OPEB) Trust under Section 115 of the Internal Revenue Code. The portion of this payment attributed to past service costs was charged to Administrative and General Expenses. Most energy conservation measures are being fully recovered in current retail rates. Consequently, beginning in 2006, the cost of all energy conservation measures are expensed. Also during 2006, the Board made a lump sum payment of \$5.9 million to the Oregon Public Employees' Retirement System (OPERS) to fund its pension liabilities prior to being required to do so by OPERS rate-making policies. This payment was recorded as an operating expense in 2006.

Operating revenue net of operating expense increased \$22 million (76%) due to the aforementioned revenue deferral in 2006. Excluding the effects of the revenue deferral, increase in net operating revenue was \$2 million (4%).

Unrestricted designated cash reserves and working capital held by the Board at its discretion increased \$20 million (34%) during 2007 bringing the total amount in reserve to \$78 million. In a series of actions taken during 2007, the Board set targets to \$77.9 million to address capital improvement program needs and to establish an operating reserve for strategic staffing concerns. Previously, the Board increased targets for designated cash reserves at \$67 million during 2006 by formalizing its desire to provide an equity contribution to future construction improvements related to the Carmen-Smith Hydroelectric Project Relicensing and directing \$20 million toward this purpose.

The improvement in financial performance and reserve balances reflects the Board's ongoing commitment to regaining the financial flexibility that was compromised during the 2001 Energy Crisis. This commitment was demonstrated during 2004 with the adoption of more conservative budgeting assumptions and two separate retail rate increases in that year to stabilize Electric System finances and fully reflect wholesale power costs. Since that time the Board has maintained rates at levels consistent with prudent utility practice.

**EUGENE WATER & ELECTRIC BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**



Selected Financial Data

(in millions of dollars)

	2007	2006	2005
Operating revenues	\$ 263	\$ 230	\$ 218
Operating expenses	(212)	(201)	(174)
Net operating income	51	29	44
Other revenues	8	8	5
Other expenses	(23)	(25)	(30)
Income before contributed capital	36	12	19
Contributed capital	4	4	3
Change in net assets	\$ 40	\$ 16	\$ 22
Total assets	\$ 495	\$ 462	\$ 433
Total liabilities	\$ 274	\$ 281	\$ 269
Net assets			
Invested in capital assets, net of related debt	117	102	96
Restricted	6	5	4
Unrestricted	98	74	64
Total net assets	221	181	164
Total liabilities and net assets	\$ 495	\$ 462	\$ 433

**EUGENE WATER & ELECTRIC BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Assets and Long-Term Debt Activity

Total utility plant in service as of December 31, 2007, 2006 and 2005 consisted of the following:

<i>(in millions of dollars)</i>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Production and land	\$ 195	\$ 192	\$ 178
Transmission and distribution	243	232	221
General plant	<u>77</u>	<u>75</u>	<u>73</u>
Total utility plant in service	<u>\$ 515</u>	<u>\$ 499</u>	<u>\$ 472</u>

As of year-end the Electric System had \$515 million of utility plant in service. Major capital additions during the year included upgrades of distribution system feeder circuits and metering (\$11.7 million); fleet and computer system purchases were (\$1.9 million). Capital improvements in 2006 included the completion of the Leaburg/Waltermville license requirements (\$11.6 million) and upgrades of the distribution system feeder circuits and metering plant (\$11 million).

The Electric System Capital Improvement Plan (CIP) (2008-2012) calls for the replacement of a major transmission/distribution substation and improvements to related feeder systems. Also included in the CIP are substantial outlays for relicensing improvements to the Carmen-Smith Hydroelectric Generation Project and construction of the Roosevelt Operations Center Projects. Capital construction is provided for through a combination of construction fees, cash flow from revenues and long-term revenue bonds.

Total liabilities as of December 31, 2007, 2006 and 2005 consisted of the following:

<i>(in millions of dollars)</i>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current liabilities	\$ 49	\$ 48	\$ 50
Noncurrent liabilities	<u>225</u>	<u>233</u>	<u>219</u>
Total liabilities	<u>\$ 274</u>	<u>\$ 281</u>	<u>\$ 269</u>

EWEB issues revenue bonds to provide for the construction of capital facilities. At 2007 year-end, the Electric System had \$198 million of revenue bonds outstanding versus \$207 million the previous year. The most recent bonds were issued in 2006 in the amount of \$12.85 million to complete the Carmen-Smith Hydroelectric Plant relicensing application and to provide a detailed design of the Roosevelt Operations Center Projects. Long-term debt decreased during 2006 as a result of a recapitalization of the Western Generation Agency (WGA) resulting in the return to EWEB of the majority of its investment in WGA.

EUGENE WATER & ELECTRIC BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

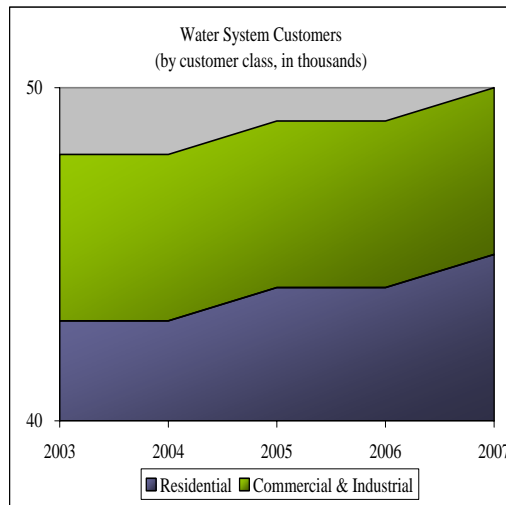
Economic Factors, Rates, and Outlook

Eugene is a regional service center and governmental hub for western Oregon South of Portland. Consequently, economic conditions are expected to remain stable both locally and regionally. The Board is considering a scheduled 1.9% electric rate adjustment to be effective May, 2008. This rate increase is to be offset by amounts received from Bonneville as interim refunds attributed to excess Residential Exchange Payments that were made to investor owned utilities.

Design work and planning is in process for the new Roosevelt Operations Center Projects and EWEB continues with capital construction and related financing anticipated in 2008. The license application for the Carmen-Smith project was submitted to FERC in November 2006 as planned. Consultations with fishery agencies and environmental interests have continued throughout 2007. Preliminary indications are final license approval will not be obtained until at least 2009. As of the end of 2007, all reserve targets have been met. The Board continues to evaluate its reserve targets in light of changing economic condition and long-term revenue requirements and related risks.

Water System

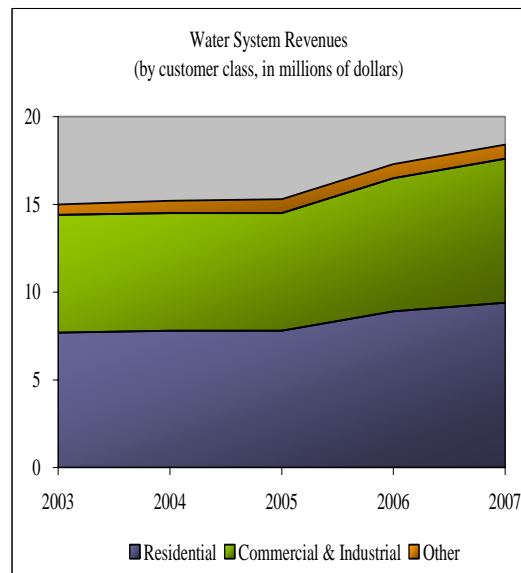
The Water System provides water to all areas within the City, two water districts and one private water utility outside the City. During 2007 the Water System sold approximately 9.6 billion gallons of water, 9% of which was to the water districts. Water is supplied from the McKenzie River and is treated 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 enclosed reservoirs with a combined storage capacity of 92.8 million gallons, 32 pump stations and over 790 miles of distribution mains.



EUGENE WATER & ELECTRIC BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Summary and Analysis

During 2007, water system operating revenues increased by \$1 million or 6.2%. This increase was largely attributable to a 9.2% retail rate increase effective May 2007. Operating expenses increased by \$359,000 (2%), with lower regular operating expenses offset by a \$1.3 million payment to the OPEB trust fund for past services costs.



Net operating income for 2007 was \$683,500 versus a net operating loss of \$36,000 in 2006. While non-operating revenues were slightly lower by \$55,000 (4%), non-operating costs were substantially higher (\$765,000 or 70%) in 2007. The increase in non-operating costs is primarily related to interest allocation between the water utility and the electric utility on the PERS bonds of \$533,000.

**EUGENE WATER & ELECTRIC BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Selected Financial Data

<i>(in millions of dollars)</i>	2007	2006	2005
Operating revenues	\$ 18.4	\$ 17.3	\$ 15.3
Operating expenses	(17.7)	(17.3)	(14.4)
Net operating income	0.7	-	0.9
Other revenues	1.3	1.3	1.0
Other expenses	(1.9)	(1.1)	(1.5)
Income before contributed capital	0.1	0.2	0.4
Contributed capital	5.9	2.7	3.9
Change in net assets	\$ 6.0	\$ 2.9	\$ 4.3
 Total assets	 \$ 90.9	 \$ 83.0	 \$ 81.4
 Total liabilities	 \$ 32.0	 \$ 30.1	 \$ 31.3
Net assets			
Invested in capital assets, net of related debt	43.0	34.4	31.9
Restricted	9.7	9.9	9.5
Unrestricted	6.2	8.6	8.7
Total net assets	58.9	52.9	50.1
Total liabilities and net assets	\$ 90.9	\$ 83.0	\$ 81.4

Capital Assets and Long-Term Debt Activity

Total Water System utility plant in service as of December 31, 2007, 2006 and 2005 consisted of the following:

<i>(in millions of dollars)</i>	2007	2006	2005
Production and land	\$ 35	\$ 34	\$ 33
Transmission and distribution	83	76	71
General plant	6	5	5
Total utility plant in service	\$ 124	\$ 115	\$ 109

At year-end 2007, the Water System had \$124 million invested in a variety of capital assets. Utility plant in service, net of accumulated depreciation, was \$53.6 million representing a 11% increase from 2006. Additions were \$7.4 million. \$5.5 million for water mains, consisting of relocations and improvements to existing mains and contributed plant assets for installations performed by developers, \$1 million for reconstruction of the Cityview reservoir, and \$1 million for fleet purchases. Net plant in

EUGENE WATER & ELECTRIC BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS

service was \$48.4 million in 2006, an increase of 6.6% over the prior year. Capital construction is provided through a combination of construction fees, cash flow from net revenues, and long-term revenue bonds.

Total liabilities as of December 31, 2007, 2006 and 2005 consisted of the following:

(in millions of dollars)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current liabilities	\$ 5	\$ 3	\$ 3
Noncurrent liabilities	<u>27</u>	<u>27</u>	<u>28</u>
Total liabilities	<u>\$ 32</u>	<u>\$ 30</u>	<u>\$ 31</u>

At year-end the Water System had \$22.2 million of revenue bonds outstanding versus \$23 million at the end of 2006 and \$23.8 million the prior year. No bonds were issued during 2007, however, there was a short-term inter-fund loan from the Electric Utility in the amount of \$1,825,000 at the end of the year.

System Rates

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 to account for multiple years of lower than projected water sales. Water rates are expected to increase an additional 17% in May 2008 as the first in a multi year program of rate adjustments to fund the revised capital improvement program.

Summary

The management of the Board is responsible for preparing the information in this management's discussion and analysis, financial statements and notes to financial statements. The financial statements are prepared according to accounting principles generally accepted in the United States of America, and they fairly portray the Board's financial position and operating results. The notes to the financial statements are an integral part of the basic financial statements and provide additional information.

EUGENE WATER & ELECTRIC BOARD
BALANCE SHEETS - ASSETS
DECEMBER 31, 2007 AND 2006

	Electric System		Water System	
	2007	2006	2007	2006
ASSETS				
Utility plant in service	\$ 514,586,309	\$ 498,776,718	\$ 123,745,114	\$ 115,018,303
Less accumulated depreciation	273,792,949	263,015,719	70,143,150	66,607,256
Net utility plant in service	240,793,360	235,760,999	53,601,964	48,411,047
Property held for future use	2,790,038	2,638,769	989,578	989,578
Construction work in progress	28,062,705	23,064,685	11,303,298	7,995,591
Net utility plant	271,646,103	261,464,453	65,894,840	57,396,216
Customer deposit reserve	3,067,233	3,302,920	-	-
Construction funds	8,285,363	11,197,003	-	-
System development charge reserves	-	-	9,351,637	9,521,195
Investments for debt service	7,920,489	7,749,674	816,335	815,415
Restricted cash and investments	19,273,085	22,249,597	10,167,972	10,336,610
Cash and cash equivalents	2,278,453	2,447,073	2,462,968	2,622,038
Short-term investments	11,313,552	-	-	-
Designated cash and investments				
Purchased power reserve	28,099,916	15,302,125	-	-
Capital improvement reserve	10,894,088	12,372,578	3,402,745	3,138,319
Carmen-Smith reserve	21,025,739	19,960,061	-	-
Operating reserve	1,609,967	1,550,756	617,979	147,392
Pension and medical reserve	2,900,877	6,474,858	-	701,508
Receivable, less allowances	40,436,139	40,244,283	1,322,301	1,449,824
Note receivable, Water	1,825,000	-	-	-
Materials and supplies	2,442,438	2,576,781	537,519	494,450
Prepays	1,674,564	1,626,778	490,073	463,532
Option premiums short-term	3,927,099	4,003,234	-	-
Total current assets	128,427,832	106,558,527	8,833,585	9,017,063
Prepaid retirement obligation	17,626,202	18,570,462	3,869,165	4,076,442
Long-term receivables, conservation and other	5,333,741	6,277,267	-	-
Note receivable, Water	4,232,544	4,283,719	-	-
Deferred charges				
Relicensing and Roosevelt Projects	19,392,677	14,784,158	-	-
Conservation assets	8,818,490	10,139,932	-	-
Derivatives at fair value	7,875,263	8,705,416	-	-
Option premiums long-term	3,147,648	3,323,949	-	-
Other deferred charges	7,836,619	5,612,848	2,117,947	2,201,003
Total other assets	74,263,184	71,697,751	5,987,112	6,277,445
Total assets	\$ 493,610,204	\$ 461,970,328	\$ 90,883,509	\$ 83,027,334

Note: Inter-System note payable and receivable are eliminated in the Total Systems column.

**EUGENE WATER & ELECTRIC BOARD
BALANCE SHEETS - ASSETS
DECEMBER 31, 2007 AND 2006**

Total Systems	
2007	2006
\$ 638,331,423	\$ 613,795,021
343,936,099	329,622,975
294,395,324	284,172,046
3,779,616	3,628,347
39,366,003	31,060,276
337,540,943	318,860,669
3,067,233	3,302,920
8,285,363	11,197,003
9,351,637	9,521,195
8,736,824	8,565,089
29,441,057	32,586,207
-	-
4,741,421	5,069,111
11,313,552	-
28,099,916	15,302,125
14,296,833	15,510,897
21,025,739	19,960,061
2,227,946	1,698,148
2,900,877	7,176,366
41,758,440	41,694,107
-	-
2,979,957	3,071,231
2,164,637	2,090,310
3,927,099	4,003,234
137,261,417	115,575,590
-	-
21,495,367	22,646,904
5,333,741	6,277,267
4,232,544	-
19,392,677	14,784,158
8,818,490	10,139,932
7,875,263	8,705,416
3,147,648	3,323,949
9,954,566	7,813,851
80,250,296	73,691,477
\$ 584,493,713	\$ 540,713,943

See accompanying notes.

EUGENE WATER & ELECTRIC BOARD
BALANCE SHEETS - LIABILITIES AND NET ASSETS
DECEMBER 31, 2007 AND 2006

	Electric System		Water System	
	2007	2006	2007	2006
LIABILITIES				
Payables	\$ 32,512,999	\$ 32,167,456	\$ 1,649,302	\$ 933,775
Accrued payroll and benefits	3,459,831	3,167,648	664,591	549,347
Accrued interest on long-term debt	4,093,655	4,214,785	418,490	433,511
Long-term debt due within one year	9,095,000	8,495,000	940,000	910,000
Note payable, Electric	-	-	1,825,000	-
Total current liabilities	49,161,485	48,044,889	5,497,383	2,826,633
Long-term debt, bonds payable	191,424,153	198,363,299	21,218,228	22,063,383
Note payable, Electric	-	-	4,232,544	4,283,719
Derivatives at fair value	7,875,263	8,705,416	-	-
Other liabilities	3,590,158	4,315,885	993,107	927,193
Deferred revenue	20,000,000	20,000,000	-	-
Deferred credit-WGA	1,684,368	1,931,292	-	-
Total liabilities	273,735,427	281,360,781	31,941,262	30,100,928
NET ASSETS				
Invested in capital assets, net of related debt	116,746,036	101,804,870	43,004,468	34,422,833
Restricted	5,589,211	4,888,266	9,749,482	9,903,098
Unrestricted	97,539,530	73,916,411	6,188,297	8,600,475
Total net assets	219,874,777	180,609,547	58,942,247	52,926,406
Total liabilities and net assets	\$ 493,610,204	\$ 461,970,328	\$ 90,883,509	\$ 83,027,334

Note: Inter-System note payable and receivable are eliminated in the Total Systems column.

**EUGENE WATER & ELECTRIC BOARD
BALANCE SHEETS - LIABILITIES AND NET ASSETS
DECEMBER 31, 2007 AND 2006**

Total Systems			
2007	2006		
\$	34,162,301	\$	33,101,231
	4,124,422		3,716,995
	4,512,145		4,648,296
	10,035,000		9,405,000
	1,825,000		-
	54,658,868		50,871,522
	212,642,381		220,426,682
	-		-
	7,875,263		8,705,416
	4,583,265		5,243,078
	20,000,000		20,000,000
	1,684,368		1,931,292
	301,444,145		307,177,990
	159,750,504		136,227,703
	15,338,693		14,791,364
	103,727,827		82,516,886
	278,817,024		233,535,953
\$	584,493,713	\$	540,713,943

See accompanying notes.

EUGENE WATER & ELECTRIC BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	Electric System		Water System	
	2007	2006	2007	2006
Residential	\$ 79,967,522	\$ 78,789,904	\$ 9,375,399	\$ 8,864,948
Commercial and industrial	97,775,537	98,155,864	8,168,374	7,650,681
Sales for resale and other	84,947,985	73,183,532	814,241	764,428
Regulatory credits - net	-	(20,000,000)	-	-
Operating revenues	262,691,044	230,129,300	18,358,014	17,280,057
Purchased power	113,486,135	106,593,971	-	-
System control	5,064,595	5,011,723	-	-
Wheeling	12,416,006	12,903,147	-	-
Steam and hydraulic generation	13,306,982	12,996,160	-	-
Transmission and distribution	16,895,019	16,933,630	5,069,443	5,523,222
Source of supply, pumping and purification	-	-	2,613,893	3,137,274
Customer accounting	7,839,559	9,070,654	1,201,049	1,376,380
Conservation expenses	7,398,435	10,207,553	592,624	623,713
Administrative and general	22,872,564	15,790,867	4,721,496	3,094,334
Depreciation on utility plant	12,398,226	11,742,567	3,476,062	3,560,728
Operating expenses	211,677,521	201,250,272	17,674,567	17,315,651
Net operating income (loss)	51,013,523	28,879,028	683,447	(35,594)
Interest earnings on investments	5,479,051	6,595,406	795,400	763,922
Allowance for funds used during construction	705,130	618,395	259,842	289,455
Other revenue	1,482,531	1,343,798	218,406	275,213
Other revenues	7,666,712	8,557,599	1,273,648	1,328,590
Surplus revenue payments	12,028,224	12,530,907	-	-
Other revenue deductions	1,966,797	1,544,295	239,589	15,808
Interest expense and related amortization	10,104,432	11,494,407	1,731,732	1,233,930
Allowance for borrowed funds used during construction	(611,532)	(684,135)	(112,197)	(155,300)
Other expenses	23,487,921	24,885,474	1,859,124	1,094,438
Income before contributed capital	35,192,314	12,551,153	97,971	198,558
Contributions in aid of construction	3,091,594	3,928,564	1,158,945	1,045,392
Contributed plant assets	981,322	-	3,253,804	-
System development charges	-	-	1,505,121	1,628,686
Contributed capital	4,072,916	3,928,564	5,917,870	2,674,078
Change in net assets	39,265,230	16,479,717	6,015,841	2,872,636
Total net assets at beginning of year	180,609,547	164,129,830	52,926,406	50,053,770
Total net assets at end of year	\$ 219,874,777	\$ 180,609,547	\$ 58,942,247	\$ 52,926,406

EUGENE WATER & ELECTRIC BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2007 AND 2006

Total Systems	
2007	2006
\$ 89,342,921	\$ 87,654,852
105,943,911	105,806,545
85,762,226	73,947,960
-	(20,000,000)
281,049,058	247,409,357
113,486,135	106,593,971
5,064,595	5,011,723
12,416,006	12,903,147
13,306,982	12,996,160
21,964,462	22,456,852
2,613,893	3,137,274
9,040,608	10,447,034
7,991,059	10,831,266
27,594,060	18,885,201
15,874,288	15,303,295
229,352,088	218,565,923
51,696,970	28,843,434
6,274,451	7,359,328
964,972	907,850
1,700,937	1,619,011
8,940,360	9,886,189
12,028,224	12,530,907
2,206,386	1,560,103
11,836,164	12,728,337
(723,729)	(839,435)
25,347,045	25,979,912
35,290,285	12,749,711
4,250,539	4,973,956
4,235,126	-
1,505,121	1,628,686
9,990,786	6,602,642
45,281,071	19,352,353
233,535,953	214,183,600
\$ 278,817,024	\$ 233,535,953

See accompanying notes.

EUGENE WATER & ELECTRIC BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	Electric System		Water System	
	2007	2006	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 261,601,235	\$ 265,930,115	\$ 18,580,873	\$ 17,072,273
Other receipts	1,090,981	849,088	233,033	232,647
Power purchases	(113,996,279)	(105,113,030)	-	-
Payments to employees	(28,016,204)	(26,819,029)	(6,876,694)	(6,878,483)
Payments to suppliers	(54,356,592)	(80,950,839)	(6,907,536)	(6,001,177)
Surplus revenue payments	(12,283,127)	(12,525,368)	-	-
Net cash from operating activities	54,040,014	41,370,937	5,029,676	4,425,260
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investment securities	(139,988,165)	(151,770,812)	(13,484,482)	(11,429,675)
Proceeds from sale and maturities of investments	123,410,733	133,394,914	14,290,815	11,758,887
Interest on investments (including investment in WGA)	4,489,431	5,523,396	659,927	688,383
Distributions from equity investment in WGA	200,000	10,566,597	-	-
Net cash from investing activities	(11,888,001)	(2,285,905)	1,466,260	1,017,595
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Note proceeds from Electric	-	-	1,825,000	-
Note receipts from Water	51,175	706,276	-	-
Note payments to Electric	-	-	(51,175)	(706,276)
Net cash from noncapital financing activities	51,175	706,276	1,773,825	(706,276)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from bonds	-	12,797,293	-	-
Refunding of bonds	-	(7,890,000)	-	-
Principal payments	(8,519,867)	(12,430,462)	(910,000)	(905,000)
Proceeds from bonds	-	(397,903)	-	-
Additions to utility plant, net	(22,142,086)	(21,187,914)	(7,931,946)	(4,499,620)
Interest payments	(9,702,154)	(10,881,508)	(1,729,708)	(1,059,418)
Conservation receipts from BPA	1,321,442	3,194,591	-	-
Additions to conservation assets and other	(6,545,535)	(4,632,774)	-	-
Contributed capital	3,091,594	3,028,400	2,664,066	2,674,078
Net cash from capital and related financing activities	(42,496,606)	(38,400,277)	(7,907,588)	(3,789,960)
CHANGE IN CASH AND CASH EQUIVALENTS	(293,418)	1,391,031	362,173	946,619
CASH AND CASH EQUIVALENTS, beginning of year	28,378,682	26,987,651	8,765,782	7,819,163
CASH AND CASH EQUIVALENTS, end of year including cash and cash equivalents restricted or designated: \$25,806,811 and \$6,664,987 (\$25,931,609 and \$6,143,744 in 2006) for Electric and Water, respectively.	<u>\$ 28,085,264</u>	<u>\$ 28,378,682</u>	<u>\$ 9,127,955</u>	<u>\$ 8,765,782</u>

NON-CASH CAPITAL ACTIVITY:

In 2007, plant assets contributed by developers were \$981,322 for the Electric System, and \$3,253,804 for the Water System.

In 2006, the Electric System recognized \$900,000 of contribution in aid of construction for upgrades to a cogeneration plant paid for by Weyerheuser.

**EUGENE WATER & ELECTRIC BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Total Systems	
2007	2006
\$ 280,182,108	\$ 283,002,388
1,324,014	1,081,735
(113,996,279)	(105,113,030)
(34,892,898)	(33,697,512)
(61,264,128)	(86,952,016)
(12,283,127)	(12,525,368)
<u>59,069,690</u>	<u>45,796,197</u>
(153,472,647)	(163,200,487)
137,701,548	145,153,801
5,149,358	6,211,779
200,000	10,566,597
<u>(10,421,741)</u>	<u>(1,268,310)</u>
1,825,000	-
51,175	706,276
<u>(51,175)</u>	<u>(706,276)</u>
<u>1,825,000</u>	<u>-</u>
-	12,797,293
-	(7,890,000)
(9,429,867)	(13,335,462)
-	(397,903)
(30,074,032)	(25,687,534)
(11,431,862)	(11,940,926)
1,321,442	3,194,591
(6,545,535)	(4,632,774)
<u>5,755,660</u>	<u>5,702,478</u>
<u>(50,404,194)</u>	<u>(42,190,237)</u>
68,755	2,337,650
<u>37,144,464</u>	<u>34,806,814</u>
<u>\$ 37,213,219</u>	<u>\$ 37,144,464</u>

See accompanying notes.

EUGENE WATER & ELECTRIC BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	Electric System		Water System	
	2007	2006	2007	2006
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Net operating income (loss)	\$ 51,013,523	\$ 28,879,028	\$ 683,447	\$ (35,594)
Adjustments to reconcile net operating income (loss) to net cash from operating activities				
Depreciation	12,398,226	11,742,567	3,476,062	3,560,728
Surplus revenue payments	(12,283,127)	(12,525,368)	-	-
Other revenue	1,988,815	1,900,181	218,406	247,121
Other revenue deductions	-	-	(224,748)	-
Equity (income) loss from WGA	(446,924)	91,669	-	-
(Increase) decrease in assets				
Receivables	(2,016,856)	(4,202,343)	114,813	(233,516)
Materials and supplies	134,343	(144,028)	(43,069)	(76,283)
Prepayments and special deposits	28,348	67,041	(224,989)	287,609
Conservation loans, net	1,099,973	(471,321)	(1,775)	(14,430)
Long-term receivables, other	19,200	(539,505)	-	-
Prepaid retirement obligation	944,260	445,262	207,277	706,275
Deferred charges	473,802	(1,458,882)	333,128	(7,350)
Increase (decrease) in liabilities				
Accounts payable, accrued payroll and benefits	2,039,324	(3,848,230)	399,033	(27,907)
Deferred revenue	-	20,000,000	-	-
Other liabilities	(1,352,893)	1,434,866	92,091	18,607
Net cash from operating activities	\$ 54,040,014	\$ 41,370,937	\$ 5,029,676	\$ 4,425,260

**EUGENE WATER & ELECTRIC BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Total Systems			
2007	2006		
\$	51,696,970	\$	28,843,434
	15,874,288		15,303,295
	(12,283,127)		(12,525,368)
	2,207,221		2,147,302
	(224,748)		-
	(446,924)		91,669
	(1,902,043)		(4,435,859)
	91,274		(220,311)
	(196,641)		354,650
	1,098,198		(485,751)
	19,200		(539,505)
	1,151,537		1,151,537
	806,930		(1,466,232)
	2,438,357		(3,876,137)
	-		20,000,000
	(1,260,802)		1,453,473
\$	59,069,690	\$	45,796,197

See accompanying notes.

**EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

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.

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.

**EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

The Board considers money market accounts, government investment pool holdings, and certificates of deposit 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.

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

The Electric System has deferred certain costs for the preliminary investigation of several projects, which it believes will be viable in the future: \$19,392,700 at December 31, 2007, primarily for the application process in relicensing the Carmen-Smith Project, and secondarily for a new Roosevelt Operations Center (\$14,784,200 at December 31, 2006).

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.

EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

Regulatory Deferrals (Continued)

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 (see Power Risk Management within Note 2, Summary of Significant Accounting Policies)

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.

Interest Rate Swap (see Note 9, Long-Term Debt)

Regulatory Credits-Net

Revenues raised through current rates for which significant associated costs will be incurred in the future, are deferred (a decrease in operating revenue) and later recognized (an increase to operating revenue) in the periods during which the associated costs for which the rates were raised, are incurred. At December 31, 2007 and 2006, \$20 million in revenue raised for the relicensing of Carmen-Smith is deferred to future periods when costs will be incurred.

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.

**EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 2 - Summary of Significant Accounting Policies (Continued)

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** - This component of net assets consists of 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** - This component consists of net assets on which constraints are placed as to 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** - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Net assets as of December 31 are as follows:

	2007		2006	
	Electric System	Water System	Electric System	Water System
Invested in capital assets, net of related debt	\$ 116,746,036	\$ 43,004,468	\$ 101,804,870	\$ 34,422,833
Restricted for:				
Capital projects	1,762,377	-	1,353,377	-
System development charges	-	9,351,637	-	9,521,195
Debt service	3,826,834	397,845	3,534,889	381,903
Unrestricted	97,539,530	6,188,297	73,916,411	8,600,475
	<u>\$ 219,874,777</u>	<u>\$ 58,942,247</u>	<u>\$ 180,609,547</u>	<u>\$ 52,926,406</u>

EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

Board Discretionary Power

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, considers rate regulation by a utility's board of commissioners to be similar to the powers of a legislative body. The Statement requires disclosure of total restricted funds on hand, which result from new rates, specified for particular purposes, and which are legally required to be used for the specified purposes. The Board has broad powers to raise revenues and make judgments about the most economical uses of funds as circumstances change. Accordingly, all revenues authorized by the Board's commissioners for specific purposes, other than those restricted by contract, are included with unrestricted net assets.

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 17.2% of 2007 (16.6% of 2006) Electric System's retail revenues were the result of sales to two industrial customers. Approximately 4.3% of 2007 (4.8% of 2006) 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 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, 2007 were \$181,200 (\$236,100 for 2006) for the Electric System, and \$13,600 (\$15,500 for 2006) for the Water System.

Surplus Revenue Payments

In accordance with Oregon Revised Statutes (ORS 225.270), the Electric System makes surplus revenue payments at the rate of 6% of retail sales and 17% of net margin on certain sales for resale to the City of Eugene. 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 expense for the year ended December 31, 2007 was \$12,059,353 (\$12,530,907 for 2006).

**EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 2 - Summary of Significant Accounting Policies (Continued)

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 trading 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, 2007 have aggregate notional amounts totaling \$64,581,800 (\$77,971,900 for 2006) and extend through 2009. Certain purchases and sales of energy activities that are "booked out" (not physically settled) are reported on a net basis in accordance with SFAS No. 133.

At December 31, 2007, net unrealized gains from derivative instruments aggregate \$7,875,300 (\$8,705,400 for 2006). The notional amounts under such contracts totaled \$42,748,400 (\$39,707,000 for 2006) and the contracts extend through 2009.

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

EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

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, according to the Statement.

Reclassification

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

Note 3 - Utility Plant

The major classifications and depreciable lives of utility plant in service at December 31, 2007 and 2006 are as follows:

Electric Utility Plant

	Depreciable Life -Years	Balance at December 31, 2006	Increases	Decreases	Balance at December 31, 2007
Land		\$ 5,984,075	\$ 702	\$ -	\$ 5,984,777
Steam production	10-25	18,185,470	-	(11,005)	18,174,465
Hydro production	36-50	155,036,063	2,521,315	-	157,557,378
Wind production	25	13,087,182	-	-	13,087,182
Transmission	33.3-50	51,288,088	297,518	(685,248)	50,900,358
Distribution	28.5	180,719,651	11,721,249	(820,891)	191,620,009
General plant	3-50	74,476,189	3,387,886	(601,935)	77,262,140
		<u>498,776,718</u>	<u>17,928,670</u>	<u>(2,119,079)</u>	<u>514,586,309</u>
Total utility plant in service					
Accumulated depreciation		(263,015,719)	(13,023,801)	2,246,571	(273,792,949)
Property held for future use		2,638,769	151,269		2,790,038
Construction work in progress		23,064,685	17,520,550	(12,522,530)	28,062,705
		<u>261,464,453</u>	<u>22,576,688</u>	<u>(12,395,038)</u>	<u>271,646,103</u>
Net utility plant					

**EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 3 - Utility Plant (Continued)

Water Utility Plant

	Depreciable Life -Years	Balance at December 31, 2006	Increases	Decreases	Balance at December 31, 2007
Land		\$ 807,946	\$ -	\$ -	\$ 807,946
Structure	50	24,681,862	79,139	-	24,761,001
Pumping	20	7,372,630	161,831	-	7,534,461
Purification	25	1,174,227	78,682	-	1,252,909
Transmission	28.5	17,250,570	-	-	17,250,570
Reservoirs	50	13,769,403	13,102	-	13,782,505
Distribution	28.5	35,013,483	3,136,466	-	38,149,949
Services, meters and hydrants	20-28.5	9,482,436	4,374,087	(16,040)	13,840,483
General plant	3-50	5,465,746	899,544	-	6,365,290
		<u>115,018,303</u>	<u>8,742,851</u>	<u>(16,040)</u>	<u>123,745,114</u>
Total utility plant in service					
Accumulated depreciation		(66,607,256)	(3,551,934)	16,040	(70,143,150)
Property held for future use		989,578	-	-	989,578
Construction work in progress		7,995,591	7,733,268	(4,425,561)	11,303,298
		<u>57,396,216</u>	<u>12,924,185</u>	<u>(4,425,561)</u>	<u>65,894,840</u>
Net utility plant					

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.

**EUGENE WATER & ELECTRIC BOARD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 4 - Cash and Investments (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, 2007, were \$4,196,543. Of the bank balances, \$100,000 were covered by federal depository insurance, and \$4,096,543 were collateralized with securities held by the pledging financial institution but not in the Board's name.

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, 2007, 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	\$ 34,158,457	0.003	30.8%
U.S. Agency Securities	76,834,121	0.542	69.2%
Total	\$ 110,992,578	0.376	100%

**EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 4 - Cash and Investments (Continued)

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:

<u>Maturity</u>	<u>Minumum Investment</u>
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, 2007, 31% was invested in the State of Oregon Local Government Investment Pool and 69% 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 \$40,653,049.

The Board’s policy, which adheres to Oregon statutes, is to limit its investments to the top two ratings issued by nationally recognized statistical 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, and generally invests only in top rated commercial paper and corporate bonds.

EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

Note 4 - Cash and Investments (Continued)

Cash and investments consist of the following at December 31, 2007 and 2006:

				2007	2006
	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	\$ -	\$ 11,800	\$ -	\$ 11,800	\$ 11,800
Cash in bank	1,964	464,129	2,317,505	2,783,598	3,785,970
Investments in the State of Oregon local government investment pool	7,342,512	1,802,524	16,144,831	25,289,867	24,580,911
Investments - direct obligations of U.S. government	11,928,609	11,313,552	46,068,251	69,310,412	51,978,367
Total electric system	19,273,085	13,592,005	64,530,587	97,395,677	80,357,048
WATER SYSTEM					
Cash in bank	-	259,365	-	259,365	1,835,110
Investments in the State of Oregon local government investment pool	2,644,263	2,203,603	4,020,724	8,868,590	6,930,672
Investments - direct obligations of U.S. government	7,523,709	-	-	7,523,709	8,180,085
Total water system	10,167,972	2,462,968	4,020,724	16,651,664	16,945,867
	\$ 29,441,057	\$ 16,054,973	\$ 68,551,311	\$ 114,047,341	\$ 97,302,915

**EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 5 - Receivables

A summary of significant receivables is as follows:

	2007		2006	
	Electric System	Water System	Electric System	Water System
Accounts receivable	\$ 36,763,692	\$ 1,201,658	\$ 37,364,090	\$ 1,303,729
Allowance for doubtful accounts	(181,226)	(13,595)	(236,074)	(15,481)
Net accounts receivable	36,582,466	1,188,063	37,128,016	1,288,248
Conservation loans to customers	2,193,804	-	1,270,941	-
Interest receivable	583,945	47,422	306,844	61,907
Miscellaneous receivables	684,125	86,816	1,120,183	99,669
Note receivable (Bonneville Power Administration)	241,799	-	268,299	-
Renewable Energy Production Incentive (REPI)	150,000	-	150,000	-
Receivables, less allowances	<u>\$ 40,436,139</u>	<u>\$ 1,322,301</u>	<u>\$ 40,244,283</u>	<u>\$ 1,449,824</u>
Conservation loans to customers	\$ 3,898,977		\$ 4,776,350	
Note receivable (Bonneville Power Administration)	1,190,942		1,432,742	
Miscellaneous	<u>243,822</u>		<u>68,175</u>	
Long-term receivables, conservation and other	<u>\$ 5,333,741</u>		<u>\$ 6,277,267</u>	

Note 6 - Payables

Current payables at December 31, 2007 and 2006 were as follows:

	2007		2006	
	Electric System	Water System	Electric System	Water System
Accounts payable	\$ 25,102,099	\$ 691,963	\$ 23,905,647	\$ 636,125
Construction payables	1,098,996	739,081	691,653	17,580
Contributions in lieu of taxes	1,095,430	-	1,350,333	-
Customer deposits	3,055,848	-	3,178,700	-
Miscellaneous payables	1,382,197	218,258	1,757,811	280,070
Preliminary investigations payables	778,429	-	1,283,312	-
Total payables	<u>\$ 32,512,999</u>	<u>\$ 1,649,302</u>	<u>\$ 32,167,456</u>	<u>\$ 933,775</u>

EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

Note 7 - Other Deferred Charges and Other Liabilities

Other deferred charges and other liabilities at December 31, 2007 and 2006 were as follows:

	2007		2006	
	Electric System	Water System	Electric System	Water System
Other deferred charges				
Interest rate swap - market value	\$ 114,269	\$ -	\$ 317,256	\$ -
Sick leave - upon retirement	1,430,091	313,922	1,378,015	344,504
Net pension obligation - supplemental retirement plan	943,900	235,975	1,048,607	262,152
Unamortized bond expense	2,582,354	694,714	2,868,970	751,485
Other	585,285	249,952	-	-
Lease prepayment	-	595,346	-	793,795
Unamortized loss on defeasance	-	28,038	-	49,067
Accreted interest - capital appreciation bonds	2,180,720	-	-	-
	<u>\$ 7,836,619</u>	<u>\$ 2,117,947</u>	<u>\$ 5,612,848</u>	<u>\$ 2,201,003</u>
Other deferred charges				
Other liabilities				
Interest rate swap - market value	\$ 114,269	\$ -	\$ 317,256	\$ -
Sick leave - upon retirement	1,430,091	313,922	1,378,015	344,504
Net pension obligation - supplemental retirement plan	943,900	235,975	1,048,607	262,152
Unearned rent revenue	793,795	-	992,243	-
Environmental clean up	200,000	-	500,000	-
Member deposits - Public Agency Network	108,103	-	79,764	-
Other	-	443,210	-	320,537
	<u>\$ 3,590,158</u>	<u>\$ 993,107</u>	<u>\$ 4,315,885</u>	<u>\$ 927,193</u>
Other liabilities				

**EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

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 2007. Repayment of the equity investment is not due until the Agency's Series 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, 2007, the Board had a receivable in the amount of \$206,300 (\$30,700 at December 31, 2006) 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, 2007 was a negative balance of \$1,684,400 (\$1,931,291 at December 31, 2006) 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 2007 distributions of \$200,000 were received (and \$200,000 was received in 2006).

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.

EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

Note 9 - Long-Term Debt

Long-term portion of bonds payable at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Electric Utility System Revenue and Refunding Bonds		
1997 Series, 10-1-97 issue, 4.55% - 5.00%, due 2007-2011	\$ 4,060,000	\$ 5,285,000
1998 Series, 2-1-98 issue		
Serial Bonds, 4.50% - 5.10%, due 2007-2015	8,335,000	8,875,000
Term Bonds, 5.00% - 5.05%, due 2016-2022	23,875,000	23,875,000
1998 Series A, 11-15-98 issue		
Serial Bonds, 5.87% - 5.97%, due 2007-2009	400,000	775,000
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 2007-2022	25,010,000	25,400,000
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 2007-2022	17,020,000	17,875,000
Term bonds, 5.00%, due 2023-2031	19,140,000	19,140,000
2002 Series A, 5-7-02 issue		
5.25%, due 2007-2011	4,745,000	6,170,000
2002 Series B, 6-1-02 issue		
5.10% - 5.90%, due 2007-2012	5,510,000	6,710,000
2002 Series C, 6-1-02 issue		
3.40% - 5.0%, due 2007-2022	9,945,000	10,450,000
2003 Series, 6-10-03 issue		
3.0% - 5.0%, due 2007-2023	35,935,000	37,705,000
2005 Series, 5-10-05 issue		
Serial Bonds, 3.00% - 5.0%, due 2007-2020	5,950,000	6,325,000
Term bonds, 4.5%, due 2022 & 2025	3,530,000	3,530,000
2006 Series, 8-24-06 issue		
4.00% - 5.0%, due 2007-2026	12,020,000	12,455,000
	<u>188,707,556</u>	<u>197,802,556</u>
Add unamortized premium	2,420,545	2,737,948
Add accreted interest	2,180,720	-
Less unamortized refunding costs	(1,315,310)	(1,534,514)
Less unamortized discount	<u>(569,358)</u>	<u>(642,691)</u>
Electric System bonds payable	<u>\$ 191,424,153</u>	<u>\$ 198,363,299</u>

**EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 9 - Long-Term Debt (Continued)

	2007	2006
Water Utility System Revenue and Refunding Bonds		
2000 Series, 6-1-00 issue, 5.20% - 5.30%, due 2007-2010	\$ 1,015,000	\$ 1,485,000
2002 Series, 8-1-02 issue, 2.75% - 4.7%, due 2007-2022	9,070,000	9,540,000
2005 Series, 8-16-05 issue		
Serial Bonds, 3.5% - 5.0%, due 2011-2025	8,360,000	8,360,000
Term bonds, 4.35%, due 2030	4,180,000	4,180,000
 Note payable - Electric		
11-15-01 issue, 6.32% - 7.21%, due 2007-2027	4,232,544	4,283,719
	26,857,544	27,848,719
Add unamortized premium	105,105	111,884
Less unamortized discount	(150,613)	(164,442)
Less unamortized refunding costs	(1,361,264)	(1,449,059)
 Water System bonds and note payable	25,450,772	26,347,102
 Total long-term portion of debt	216,874,925	224,710,401
 Less inter-system payable	4,232,544	4,283,719
 Total Systems long-term debt, bonds payable	\$ 212,642,381	\$ 220,426,682

The carrying amount and fair value of current and long-term debt at December 31, 2007 and 2006 were as follows:

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Electric System	\$ 200,519,153	\$ 209,960,371	\$ 206,858,299	\$ 216,324,269
Water System	22,158,228	24,153,140	22,973,383	24,558,392
 Total bonds payable	\$ 222,677,381	\$ 234,113,511	\$ 229,831,682	\$ 240,882,661

EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

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
2008	\$ 9,095,000	\$ 9,824,792	\$ 940,000	\$ 1,004,376
2009	9,705,000	9,415,741	985,000	965,015
2010	10,340,000	8,973,839	1,025,000	922,854
2011	11,035,000	8,493,640	940,000	877,619
2012	8,540,000	7,951,114	975,000	844,194
2013 - 2017	46,710,000	33,367,148	5,505,000	3,627,598
2018 - 2022	70,765,000	18,673,759	6,900,000	2,289,578
2023 - 2027	22,067,556	22,177,028	3,680,000	1,052,666
2028 - 2031	9,545,000	1,222,250	2,615,000	230,768
	<u>\$ 197,802,556</u>	<u>\$ 120,099,311</u>	<u>\$ 23,565,000</u>	<u>\$ 11,814,668</u>

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.

During August 2006, the Board issued \$12,850,000 in Electric Utility Revenue Series Bonds with interest rates from 4.0% to 5.0% maturing in 2026 for the Carmen-Smith Hydroelectric Project and the new Roosevelt Operations Center Projects.

In October of 2006, the Board received \$12,354,545 million from Western Generation Agency (the Agency) for the repayment of an equity investment and preferred dividends in the Agency. The funds for the original equity investment were obtained from the proceeds of the 1996 bonds. On October 26, 2006 the Board used the repayment from the Agency to defease the 1996 bonds.

As of December 31, 2007, the amount of defeased debt still outstanding but removed from the Board’s long-term debt amounted to \$22,312,000 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.

**EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 9 - Long-Term Debt (Continued)

Long-term debt activity for the year ended December 31, 2007 is as follows:

	Outstanding January 1, 2007	Issued During Year	Redeemed During Year	Outstanding December 31, 2007
Electric Revenue Bonds, with interest rates from 3.0% to 6.85%, maturing through 2031 (original issue \$213,655,000)	\$ 79,055,000	\$ -	\$ (3,080,000)	\$ 75,975,000
Electric Revenue Refunding Bonds, with interest rates from 2.0% to 5.25%, maturing through 2022 (original issue \$127,190,000)	97,515,000	-	(5,155,000)	92,360,000
Electric Revenue Current Interest Bonds, with interest rate of 6.32%, maturing through 2027 (original issue \$29,997,556)	29,727,556	-	(260,000)	29,467,556
Total Electric System	<u>206,297,556</u>	<u>-</u>	<u>(8,495,000)</u>	<u>197,802,556</u>
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 2022 (original issue \$31,405,000)	11,935,000	-	(910,000)	11,025,000
Total Water System	<u>24,475,000</u>	<u>-</u>	<u>(910,000)</u>	<u>23,565,000</u>
Total bonded debt	<u>\$ 230,772,556</u>	<u>\$ -</u>	<u>\$ (9,405,000)</u>	<u>\$ 221,367,556</u>

EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

Note 9 - Long-Term Debt (Continued)

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 changes the Board's interest rate costs relative to the Series 1998A bonds and provides a variable rate debt component within its overall debt portfolio. In the swap transaction, the counterparty pays the Board a fixed 3.65 percent interest rate on \$10,945,000 declining notional amount for four years. The Board will pay the counter-party if the 30-day LIBOR interest rate is higher than 3.65 percent. The Board paid \$187,000 to the counter-party in 2007 (\$95,000 in 2006). The Board has deferred \$114,300 as of December 31, 2007 (\$317,300 as of December 31, 2006) in net unrealized loss for the interest rate swap. 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 73 aMW in 2006 and 117 aMW in 2007. The "Slice" product consists of a 2.4% Slice share of Bonneville's Federal Base System generation. The annual share is to remain 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 customer's percentage share also will not be adjusted to reflect increases or decreases in the output of the Slice System. Actual power received under the Slice Product contract will vary with the performance of the federal based system. In years of heavy water flow, Slice Product customers may have rights to power that may be in excess of their needs, and in poor water years Slice Product customers would need to augment their share of Slice output with their own generation or market purchases.

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.

Note 10 - Power Supply Resources (Continued)

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 55 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 expires on November 30, 2008. The Board submitted an application to relicense the facility to FERC on November 30, 2006. The Board cannot determine at this time when a license may be issued.

Weyerhaeuser Industrial Energy Center Cogeneration Project

The Board and Weyerhaeuser Company cooperatively developed a cogeneration facility at the Weyerhaeuser Springfield plant in 1976. The unit, which has a nameplate capacity of 51.2 MW (average output is approximately 20 MW), is owned by the Board, with Weyerhaeuser 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. In addition to the unit, there are three other turbines (with a total capacity of 25 MW owned by Weyerhaeuser) at the plant. Although output and operating costs for these units are also shared by Weyerhaeuser and the Board, they do not normally operate due to high running costs.

Leaburg-Waltermville Hydroelectric Project

The Board also owns and operates the Leaburg-Waltermville 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 Waltermville 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.

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.

EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

Note 10 - Power Supply Resources (Continued)

EWEB-Owned Resources (Continued)

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.

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.

Tieton Hydroelectric Project

The Board entered into a purchase contract on May 17, 2001 for all of the output of the Tieton Hydroelectric Project. The project consists of a 19 MW turbine generator at the existing U.S. Bureau of Reclamation Tieton Dam. The dam currently forms Rimrock Reservoir near Yakima, Washington that is used to maintain irrigation and late fall spawning flows in the Tieton and Yakima Rivers. The project is operated as run-of-the-river. EWEB purchases power on a "take-and-pay" output. The term of the contract is 25 years from the date commercial operations which began in September of 2006.

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

Plan Description

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

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

Funding Policy

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 from 23.51% to 21.93%. Also, in November of 2006 OPERS issued a rate order to implement new employer rates on July 1, 2007 as the result of the December 31, 2005 actuarial valuation. The Board's new average rate is 21.72% of covered payroll effective July 1, 2007.

In December 2001, the Board elected to make a lump-sum payment of approximately \$29,600,000, which had the effect of lowering the employer contribution rate. The lump-sum payment is recorded as an other asset and is being amortized over the funding period of 27 years. The amortization was \$1,152,000 for 2007 and 2006.

EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

Note 11 - Retirement Benefits (Continued)

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 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. For the year ended December 31, 2007, the Board's annual pension expense of \$9,038,000 in 2007 (\$9,282,000 in 2006) consisted of the employer portion of \$7,035,000 (\$7,356,000 in 2006) and the annual required employee contribution of approximately \$2,003,000 (\$1,926,000 in 2006) (an average for 2007 of 21% of covered payroll and 6%, respectively).

The Board's pension liability and the annual required contribution rate were determined as part of the December 31, 2005 actuarial valuation using the projected unit credit method. The unfunded actuarial accrued liability is amortized as a level percentage of combined valuation payroll over a 22-year period. The actuarial assumptions include a rate of return on investment of present and future assets of 8.0% per year, projected salary increases of 3.75%, and cost-of-living adjustments of 2.0% per year for postretirement benefits. Investment return and projected salary increases include an inflation component of 2.75%.

The following table presents three-year trend information for the Board's employee pension plan for the fiscal year ending December 31:

	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2005	\$ 6,804,000	100%
2006	\$ 9,282,000	100%
2007	\$ 9,038,000	100%

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

<u>Valuation Date</u>	<u>Value of Assets</u>	<u>Actuarial Liability</u>	<u>Unfunded Actuarial Liability (UAL)</u>	<u>Percent of Actuarial Liability Funded</u>	<u>Covered Payroll</u>	<u>UAL/Payroll</u>
12-31-03	\$ 186,436,249	\$ 235,598,684	\$ 49,162,435	79%	\$ 27,419,888	179%
12-31-04	\$ 189,787,687	\$ 254,131,374	\$ 64,343,687	75%	\$ 29,766,536	216%
12-31-05	\$ 215,616,585	\$ 262,997,715	\$ 47,381,130	82%	\$ 31,425,822	151%

**EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 11 - Retirement Benefits (Continued)

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, 2007, with the next actuarial valuation for the year ended December 31, 2007 scheduled to be completed during 2008.

The Board's pension liability and the annual required contribution rate were determined as part of the January 1, 2007 actuarial valuation using the unit credit method. The unfunded actuarial accrued liability is amortized as a level percentage of projected annual payroll on an open basis over a 10-year period. The actuarial assumptions include a rate of return on investment of present and future assets of 7.0% per year, cost-of-living adjustments of 2.0% per year for postretirement benefits and 1983 Group Annuity Mortality rate.

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

	2006
Annual recommended contribution	\$ 441,716
Interest on net pension obligation	91,753
Adjustment to annual recommended contribution	(168,912)
Annual pension cost	364,557
Contributions made	495,441
Decrease in net pension obligation	(130,884)
Net pension obligation, January 1	1,310,759
Net pension obligation, December 31	\$ 1,179,875

EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

Note 11 - Retirement Benefits (Continued)

The following tables present three-year trend information for the Board's Supplemental Retirement Plan for the fiscal year ending December 31:

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	\$ 452,359	134%	\$ 1,480,428
2004	\$ 400,047	142%	\$ 1,310,759
2005	\$ 364,557	136%	\$ 1,179,875

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

Valuation as of January 1	Value of Assets	Actuarial Liability	Net Assets as a Percent of Actuarial Liability	Unfunded Actuarial Liability
2004	\$ 172,033	\$ 3,593,882	4.8%	\$ 3,421,849
2005	\$ 219,119	\$ 3,321,548	6.6%	\$ 3,102,429
2007	\$ 220,440	\$ 2,687,112	8.2%	\$ 2,466,672

The Board has designated funds of \$2.9 million to fund the supplemental retirement plans.

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, 394 retirees or surviving spouses of retired employees are covered under the plan. The life insurance benefit is a fixed amount of \$5,000 per retiree. Health care coverage reimburses 80% of the amount of validated claims for certain medical, dental, vision and hospitalization costs. In 2007 the Board created a trust for their other post employment benefits (OPEB) other than pensions. The OPEB trust issues a publicly available financial report and can be obtained by writing 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, with many variables such as 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.

**EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 11 - Retirement Benefits (Continued)

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. For 2007, the year of the implementation of GASB 45, 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 an 11% 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 2018 and remain level thereafter.

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

Funding status and funding progress - As of January 1, 2007, the actuarial accrued liability for benefits was \$29 million, and the actuarial value of assets was \$4.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$24.6 million. The UAAL does not include the effect of the \$8.2 million payment made to the trust in December 2007.

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.

EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

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.

**EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 13 - Trojan Nuclear Plant (Continued)

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. These bonds are 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 are considered conduit debt and as such are 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, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Assets		
Restricted cash and investments	\$ 719,665	\$ 721,297
Current assets	16,728,093	8,826,382
Long-term receivable, BPA, net	39,908,165	56,145,230
Deferred charges and other	261,607	281,862
Total assets	<u>\$ 57,617,530</u>	<u>\$ 65,974,771</u>
Liabilities		
Current liabilities	\$ 8,286,517	\$ 8,981,156
Long-term debt	-	7,832,148
Accumulated provision for decommissioning costs	49,331,013	49,161,467
Total liabilities	<u>\$ 57,617,530</u>	<u>\$ 65,974,771</u>

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 is in the preconstruction phase of a new operations center for much of its electric and water staff, equipment, and yard operations. Commitments for architects and construction management in the preconstruction phase were approximately \$2.4 million at December 31, 2007.

EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

Note 14 - Commitments and Contingencies (Continued)

Electric Projects

Carmen-Smith Relicensing

A final license application was filed with FERC for the Carmen-Smith Hydroelectric Project in 2006. The Electric System expects to spend \$4.1 million in years 2008-2009 responding to comments on the application from interested parties. Contractual commitments at December 31, 2007 were approximately \$1.2 million for environmental analyses, engineering and facilitators on the project.

Substation

Purchase orders in the amount of approximately \$3.2 million were in effect at December 31, 2007 for parts to rebuild the Willamette Substation.

Water Projects

At December 31, 2007, the Board had contractual commitments of \$1,733,000 for construction, primarily 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. The purchased 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, which greatly reduces the cost of any single exposure (from \$50,000 to \$500,000 depending on the damages), so therefore, 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, 2007, a total claims liability of approximately \$390,000 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
2005	General liability	\$ 354,270	\$ (23,918)	\$ (110,417)	\$ 219,935
2006	General liability	\$ 219,935	\$ 723,631	\$ (126,141)	\$ 817,425
2007	General liability	\$ 817,425	\$ (242,837)	\$ (184,092)	\$ 390,496

**EUGENE WATER & ELECTRIC BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 14 - Commitments and Contingencies (Continued)

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, 2007.

Environmental Matter

The Board owns land near its headquarters, which is contaminated from a former manufactured gas plant. Under a participant agreement with other entities, the Board shares in 16 2/3% of the clean up costs. Based on a feasibility study conducted by environmental consultants and the Department of Environmental Quality's stated preferences for similar contaminations, \$300,000, which is net of estimated recoveries in the amount of \$300,000, is included with liabilities (\$100,000 current, \$200,000 long-term) as an estimate for clean up and maintenance of the site. Clean up is yet to commence. Changes in the estimate are expected to be primarily for normal inflationary price increases over time.

SUPPLEMENTAL INFORMATION

**EUGENE WATER & ELECTRIC BOARD
ELECTRIC SYSTEM**

**LONG-TERM BONDED DEBT AND INTEREST PAYMENT REQUIREMENTS, INCLUDING CURRENT PORTION
YEAR ENDED DECEMBER 31, 2007**

	Refunding Revenue Bonds 1997 Series 11-4-97		Refunding Revenue Bonds 1998 Series 2-1-98		Revenue Bonds 1998 Series A 11-15-98	
	Principal	Interest	Principal	Interest	Principal	Interest
	2008	\$ 1,225,000	\$ 256,650	\$ 540,000	\$ 1,625,455	\$ 375,000
2009	1,285,000	199,075	650,000	1,597,915	400,000	636,657
2010	1,355,000	137,395	770,000	1,568,655	420,000	612,777
2011	1,420,000	71,000	895,000	1,533,245	450,000	586,653
2012	-	-	1,035,000	1,491,180	475,000	558,663
2013	-	-	1,190,000	1,442,018	505,000	529,118
2014	-	-	1,765,000	1,384,898	535,000	497,707
2015	-	-	2,030,000	1,300,178	570,000	464,430
2016	-	-	2,315,000	1,201,723	610,000	425,385
2017	-	-	2,635,000	1,085,973	650,000	383,600
2018	-	-	2,980,000	954,223	695,000	339,075
2019	-	-	3,350,000	805,223	740,000	291,468
2020	-	-	3,750,000	636,048	795,000	240,778
2021	-	-	4,190,000	446,673	850,000	186,320
2022	-	-	4,655,000	235,070	905,000	128,095
2023	-	-	-	-	965,000	66,099
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
	<u>5,285,000</u>	<u>664,120</u>	<u>32,750,000</u>	<u>17,308,477</u>	<u>9,940,000</u>	<u>6,605,682</u>
Less current	<u>1,225,000</u>	<u>-</u>	<u>540,000</u>	<u>-</u>	<u>375,000</u>	<u>-</u>
	<u>\$ 4,060,000</u>	<u>\$ 664,120</u>	<u>\$ 32,210,000</u>	<u>\$ 17,308,477</u>	<u>\$ 9,565,000</u>	<u>\$ 6,605,682</u>

**EUGENE WATER & ELECTRIC BOARD
ELECTRIC SYSTEM
LONG-TERM BONDED DEBT AND INTEREST PAYMENT REQUIREMENTS, INCLUDING CURRENT PORTION
YEAR ENDED DECEMBER 31, 2007**

	2001A Series Current Interest 11-15-01		Revenue Bonds 2001 B Series 11-15-01		Refunding Revenue Bonds 2002 A Series 5-7-02	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 390,000	\$ 1,605,280	\$ 855,000	\$ 1,837,563	\$ 1,425,000	\$ 323,925
2009	510,000	1,580,632	890,000	1,803,363	1,500,000	249,113
2010	645,000	1,548,400	925,000	1,767,763	1,575,000	170,363
2011	790,000	1,507,636	960,000	1,730,763	1,670,000	87,675
2012	950,000	1,457,708	1,000,000	1,692,363	-	-
2013	1,125,000	1,397,668	1,040,000	1,652,363	-	-
2014	1,310,000	1,326,568	1,095,000	1,597,763	-	-
2015	1,520,000	1,243,776	1,155,000	1,540,275	-	-
2016	1,745,000	1,147,712	1,215,000	1,479,638	-	-
2017	1,990,000	1,037,428	1,275,000	1,415,850	-	-
2018	2,255,000	911,660	1,345,000	1,348,913	-	-
2019	2,545,000	769,144	1,415,000	1,278,300	-	-
2020	2,860,000	608,300	1,490,000	1,204,013	-	-
2021	3,200,000	427,548	1,565,000	1,125,788	-	-
2022	3,565,000	225,308	1,650,000	1,043,625	-	-
2023	867,106	3,097,894	1,735,000	957,000	-	-
2024	839,611	3,305,389	1,825,000	870,250	-	-
2025	814,720	3,520,280	1,915,000	779,000	-	-
2026	789,579	3,740,421	2,010,000	683,250	-	-
2027	756,540	3,913,460	2,110,000	582,750	-	-
2028	-	-	2,215,000	477,250	-	-
2029	-	-	2,325,000	366,500	-	-
2030	-	-	2,440,000	250,250	-	-
2031	-	-	2,565,000	128,250	-	-
	<u>29,467,556</u>	<u>34,372,212</u>	<u>37,015,000</u>	<u>27,612,843</u>	<u>6,170,000</u>	<u>831,076</u>
Less current	390,000	-	855,000	-	1,425,000	-
	<u>\$ 29,077,556</u>	<u>\$ 34,372,212</u>	<u>\$ 36,160,000</u>	<u>\$ 27,612,843</u>	<u>\$ 4,745,000</u>	<u>\$ 831,076</u>

**EUGENE WATER & ELECTRIC BOARD
ELECTRIC SYSTEM**

**LONG-TERM BONDED DEBT AND INTEREST PAYMENT REQUIREMENTS, INCLUDING CURRENT PORTION
YEAR ENDED DECEMBER 31, 2007**

	Revenue Bonds 2002 B Series 5-22-02		Revenue and Refunding 2002 C Series 5-22-02		Revenue and Refunding 2003 Series 6-10-03	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 1,200,000	\$ 383,271	\$ 505,000	\$ 483,289	\$ 1,770,000	\$ 1,702,088
2009	1,265,000	320,871	530,000	464,351	1,830,000	1,648,987
2010	1,335,000	248,766	550,000	443,681	1,890,000	1,594,088
2011	1,415,000	171,336	575,000	420,994	1,950,000	1,537,387
2012	1,495,000	88,205	600,000	396,556	2,035,000	1,459,388
2013	-	-	620,000	370,756	2,125,000	1,377,987
2014	-	-	650,000	343,476	2,200,000	1,292,988
2015	-	-	680,000	314,226	2,315,000	1,182,987
2016	-	-	710,000	282,776	2,435,000	1,067,238
2017	-	-	740,000	249,051	2,565,000	945,487
2018	-	-	775,000	213,531	2,695,000	817,238
2019	-	-	815,000	175,750	2,835,000	682,487
2020	-	-	855,000	135,000	2,985,000	540,738
2021	-	-	900,000	92,250	3,140,000	391,487
2022	-	-	945,000	47,250	3,300,000	234,488
2023	-	-	-	-	1,635,000	69,488
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
	<u>6,710,000</u>	<u>1,212,449</u>	<u>10,450,000</u>	<u>4,432,937</u>	<u>37,705,000</u>	<u>16,544,551</u>
Less current	1,200,000	-	505,000	-	1,770,000	-
	<u>\$ 5,510,000</u>	<u>\$ 1,212,449</u>	<u>\$ 9,945,000</u>	<u>\$ 4,432,937</u>	<u>\$ 35,935,000</u>	<u>\$ 16,544,551</u>

**EUGENE WATER & ELECTRIC BOARD
ELECTRIC SYSTEM
LONG-TERM BONDED DEBT AND INTEREST PAYMENT REQUIREMENTS, INCLUDING CURRENT PORTION
YEAR ENDED DECEMBER 31, 2007**

	Revenue 2005 Series 05-10-05		Revenue 2006 Series 08-24-06		Total Electric System Payments		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2008	\$ 375,000	\$ 428,987	\$ 435,000	\$ 519,427	\$ 9,095,000	\$ 9,824,792	\$ 18,919,792
2009	390,000	414,925	455,000	499,852	9,705,000	9,415,741	19,120,741
2010	405,000	400,300	470,000	481,651	10,340,000	8,973,839	19,313,839
2011	420,000	384,100	490,000	462,851	11,035,000	8,493,640	19,528,640
2012	440,000	366,250	510,000	440,801	8,540,000	7,951,114	16,491,114
2013	460,000	347,550	530,000	420,401	7,595,000	7,537,861	15,132,861
2014	480,000	326,850	550,000	399,201	8,585,000	7,169,451	15,754,451
2015	500,000	305,250	575,000	374,451	9,345,000	6,725,573	16,070,573
2016	525,000	282,750	600,000	348,576	10,155,000	6,235,798	16,390,798
2017	550,000	256,500	625,000	324,576	11,030,000	5,698,465	16,728,465
2018	570,000	234,500	655,000	299,576	11,970,000	5,118,716	17,088,716
2019	595,000	210,275	690,000	273,376	12,985,000	4,486,023	17,471,023
2020	615,000	184,988	720,000	245,776	14,070,000	3,795,641	17,865,641
2021	645,000	158,850	760,000	216,076	15,250,000	3,044,992	18,294,992
2022	675,000	129,825	795,000	184,726	16,490,000	2,228,387	18,718,387
2023	705,000	99,450	835,000	151,933	6,742,106	4,441,864	11,183,970
2024	735,000	67,725	875,000	116,863	4,274,611	4,360,227	8,634,838
2025	770,000	34,650	920,000	80,113	4,419,720	4,414,043	8,833,763
2026	-	-	965,000	41,013	3,764,579	4,464,684	8,229,263
2027	-	-	-	-	2,866,540	4,496,210	7,362,750
2028	-	-	-	-	2,215,000	477,250	2,692,250
2029	-	-	-	-	2,325,000	366,500	2,691,500
2030	-	-	-	-	2,440,000	250,250	2,690,250
2031	-	-	-	-	2,565,000	128,250	2,693,250
	<u>9,855,000</u>	<u>4,633,725</u>	<u>12,455,000</u>	<u>5,881,239</u>	<u>197,802,556</u>	<u>120,099,311</u>	<u>317,901,867</u>
Less current	375,000	-	435,000	-	9,095,000	-	9,095,000
	<u>\$ 9,480,000</u>	<u>\$ 4,633,725</u>	<u>\$ 12,020,000</u>	<u>\$ 5,881,239</u>	<u>\$ 188,707,556</u>	<u>\$ 120,099,311</u>	<u>\$ 308,806,867</u>

**EUGENE WATER & ELECTRIC BOARD
WATER SYSTEM**

**LONG-TERM BONDED DEBT AND INTEREST PAYMENT REQUIREMENTS, INCLUDING CURRENT PORTION
YEAR ENDED DECEMBER 31, 2007**

	Revenue Bonds 2000 Series 1-1-00		Revenue Bonds 2002 Series 7-16-02	
	Principal	Interest	Principal	Interest
	2008	\$ 470,000	\$ 78,470	\$ 470,000
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	-	-	-	-
	<u>1,485,000</u>	<u>159,826</u>	<u>9,540,000</u>	<u>3,653,733</u>
Less current	470,000	-	470,000	-
	<u>\$ 1,015,000</u>	<u>\$ 159,826</u>	<u>\$ 9,070,000</u>	<u>\$ 3,653,733</u>

EUGENE WATER & ELECTRIC BOARD
WATER SYSTEM
LONG-TERM BONDED DEBT AND INTEREST PAYMENT REQUIREMENTS, INCLUDING CURRENT PORTION
YEAR ENDED DECEMBER 31, 2007

	Revenue Bonds Refunding		Total Water System Payments		
	2005 Series		Principal	Interest	Totals
	Principal	Interest			
2008	\$ -	\$ 532,455	\$ 940,000	\$ 1,004,376	\$ 1,944,376
2009	-	532,455	985,000	965,015	1,950,015
2010	-	532,455	1,025,000	922,854	1,947,854
2011	415,000	532,455	940,000	877,619	1,817,619
2012	430,000	517,930	975,000	844,194	1,819,194
2013	445,000	502,880	1,015,000	808,706	1,823,706
2014	460,000	487,305	1,055,000	770,901	1,825,901
2015	475,000	470,055	1,095,000	729,851	1,824,851
2016	500,000	451,055	1,145,000	685,276	1,830,276
2017	520,000	426,055	1,195,000	632,864	1,827,864
2018	545,000	400,055	1,255,000	578,176	1,833,176
2019	570,000	372,805	1,310,000	519,864	1,829,864
2020	600,000	344,305	1,380,000	458,064	1,838,064
2021	630,000	320,305	1,445,000	398,184	1,843,184
2022	655,000	295,105	1,510,000	335,290	1,845,290
2023	675,000	268,905	675,000	268,905	943,905
2024	705,000	241,230	705,000	241,230	946,230
2025	735,000	212,149	735,000	212,149	947,149
2026	765,000	181,830	765,000	181,830	946,830
2027	800,000	148,552	800,000	148,552	948,552
2028	835,000	113,753	835,000	113,753	948,753
2029	870,000	77,430	870,000	77,430	947,430
2030	910,000	39,585	910,000	39,585	949,585
	<u>12,540,000</u>	<u>8,001,109</u>	<u>23,565,000</u>	<u>11,814,668</u>	<u>35,379,668</u>
Less current	-	-	940,000	-	940,000
	<u>\$ 12,540,000</u>	<u>\$ 8,001,109</u>	<u>\$ 22,625,000</u>	<u>\$ 11,814,668</u>	<u>\$ 34,439,668</u>

**EUGENE WATER & ELECTRIC BOARD
ELECTRIC SYSTEM
ANALYSIS OF CERTAIN RESTRICTED CASH AND INVESTMENTS FOR DEBT SERVICE
YEAR ENDED DECEMBER 31, 2007**

	Bond Funds Debt Service Account	Construction Funds	Customer Deposit Reserve	Total All Funds
Ending balance - December 31, 2006	\$ 7,749,674	\$ 11,197,003	\$ 3,302,920	\$ 22,249,597
Proceeds from bond issue	-	-	-	-
Deposits from general fund	18,504,700	-	-	18,504,700
Interest earnings	324,821	511,029	165,745	1,001,595
Other transfers	-	344,732	5,513	350,245
Receipts	<u>18,829,521</u>	<u>855,761</u>	<u>171,258</u>	<u>19,856,540</u>
Principal payments	8,495,000	-	-	8,495,000
Interest payments	10,163,706	-	-	10,163,706
Defeasance	-	-	-	-
Transfers to general fund	-	3,767,401	406,945	4,174,346
Disbursements	<u>18,658,706</u>	<u>3,767,401</u>	<u>406,945</u>	<u>22,833,052</u>
U.S. Government securities, at market	7,920,489	4,008,120	-	11,928,609
Cash in bank	-	-	1,964	1,964
State of Oregon Local Government Investment Pool	-	4,277,243	3,065,269	7,342,512
Ending balance - December 31, 2007	<u>\$ 7,920,489</u>	<u>\$ 8,285,363</u>	<u>\$ 3,067,233</u>	<u>\$ 19,273,085</u>

EUGENE WATER & ELECTRIC BOARD
WATER SYSTEM
ANALYSIS OF CERTAIN RESTRICTED CASH AND INVESTMENTS FOR DEBT SERVICE
YEAR ENDED DECEMBER 31, 2007

	Bond Funds Debt Service Account	SDC Reserves	Total All Funds
	<u> </u>	<u> </u>	<u> </u>
Ending balance - December 31, 2006	\$ 815,415	\$ 9,521,195	\$ 10,336,610
Proceeds from bond issue			-
Deposits from general fund	1,917,100	1,190,878	3,107,978
Interest earnings	34,246	548,801	583,047
Receipts	<u>1,951,346</u>	<u>1,739,679</u>	<u>3,691,025</u>
Principal payments	910,000	-	910,000
Interest payments	1,040,426	-	1,040,426
Transfers to general fund	-	1,909,237	1,909,237
Disbursements	<u>1,950,426</u>	<u>1,909,237</u>	<u>3,859,663</u>
U.S. Government securities, at market	816,335	6,707,374	7,523,709
State of Oregon Local Government Investment Pool	<u>-</u>	<u>2,644,263</u>	<u>2,644,263</u>
Ending balance - December 31, 2007	<u>\$ 816,335</u>	<u>\$ 9,351,637</u>	<u>\$ 10,167,972</u>

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 and Water System of Eugene Water & Electric Board (Board) as of and for the year ended December 31, 2007 and have issued our report thereon dated February 7, 2008. 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 internal control issues are addressed in our letter to the Board of Commissioners dated February 7, 2008.

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

For Moss Adams LLP
Certified Public Accountants
February 7, 2008