Portland General Electric Company
Trojan ISFSI
71760 Columbia River Hwy
Rainier, Oregon 97048

April 14, 2011
VPN-005-2011

Trojan ISFSI
Docket 72-17
License SNM-2509

ATTN: Document Control Desk
Director, Division of Spent Fuel Storage and Transportation
Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Annual Financial Report for Year 2010

Portland General Electric Company (PGE), with Eugene Water and Electric Board (EWEB) and PacifiCorp, are the licensees for SNM-2509. PGE and PacifiCorp submit Form 10-Q reports to the Securities and Exchange Commission (SEC). EWEB is a government entity that does not submit a Form 10-Q with the SEC, or a Form 1 with the Federal Energy Regulatory Commission. Therefore, in accordance with 10 CFR 72.80(b), only EWEB is required to submit an Annual Financial Report.

The enclosed document, "Independent Auditor's Reports and Financial Statements, December 31, 2010 and 2009," is the submittal for EWEB.

If you have any questions regarding this submittal, please contact Mr. Jay Fischer of my staff at (503) 556-7030.

Sincerely,

Stephen M. Quennoz
Vice President, Nuclear and
Power Supply/Generation

Enclosure

c: Director, NRC, Region IV, DNMS
Christopher M. Staab, NRC, NMSS/DSFST (w/o enclosures)
Tom Stoops, ODOE
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NMSS24

EWEB

Eugene Water & Electric Board

Independent Auditor's Reports and Financial Statements

December 31, 2010 and 2009

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Eugene Water & Electric Board

Board of Commissioners

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

Mr. Rich Cunningham, Wards 6 & 7, Vice President

Mr. Bob Cassidy, Wards 2 & 3, Member

Ms. Joann Ernst, Wards 1 & 8, Member

Mr. Ron Farmer, Wards 4 & 5, Member

Officers

Mr. Roger Gray, General Manager, Secretary

Ms. Debra J. Smith, Assistant Secretary

Mr. James H. Origliosso, Treasurer

Ms. Catherine D. Bloom, Assistant Treasurer

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Eugene Water & Electric Board

We have audited the accompanying balance sheets of the Electric System, Water System and Combined Total Systems of Eugene Water & Electric Board (Board) as of December 31, 2010 and 2009 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, 2010 and 2009 and the results of its individual and combined operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis preceding the financial statements is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial information included as supplementary information following the financial statements and notes to financial statements is provided for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and we do not express an opinion on it.

Julie Desmone

For Moss Adams LLP
Portland, Oregon
February 7, 2011

The Eugene Water & Electric Board (EWEB or the Board) commenced operation in 1912 and is the largest publicly owned electric and water utility in Oregon. During 2010, it produced approximately 16% of the generation required to serve loads and purchased the remainder from the Bonneville Power Administration (Bonneville) and other sources. Drinking water is obtained from the McKenzie River, a glacially fed source of the purest water available nationally. At the end of 2010, EWEB had 558 employees serving the Eugene community of approximately 155,000 persons including the University of Oregon as well as several surrounding areas outside of the city.

EWEB is an administrative unit of the City of Eugene, Oregon (the City) with responsibilities for operation of the water and electric utilities delegated by City Charter to the publicly elected board of five commissioners. The Board operates vertically integrated electric and water utilities with 87,200 electric and 51,700 water customers.

Financial Policies and Controls

EWEB's financial management system consists of financial policies, financial management strategies, and its internal control structure, including annual budgets and external audits of its financial statements. The Board has the exclusive right to determine rates and charges for services provided. Planning is guided by ten-year forecasts of financial assets and liabilities, operating activity, and capital asset requirements. These tools are used to identify the impacts of anticipated initiatives and to devise strategies to meet the Board's financial objectives.

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

	Fitch	Moody's	Standard & Poors
Electric System	AA-	Aa2	AA-
Water System	AA+	Aa2	AA

The following analysis, which looks separately at the electric and water systems, focuses on financial position at December 31, 2010 and results of 2010 in comparison to 2009 and 2008, with an emphasis on 2010. Financial position reflects EWEB's assets, liabilities and net assets. Results are the activities during the year leading to net income or what is known for governmental entities as "changes in net assets."

Affecting both systems in 2010 was construction completion of the Roosevelt Operations Center (ROC). The Board's operational activities including its warehouse, equipment yard, and approximately one-half of personnel were moved to the new facility and both systems are paying down the liabilities associated with the costs of constructing the facility.

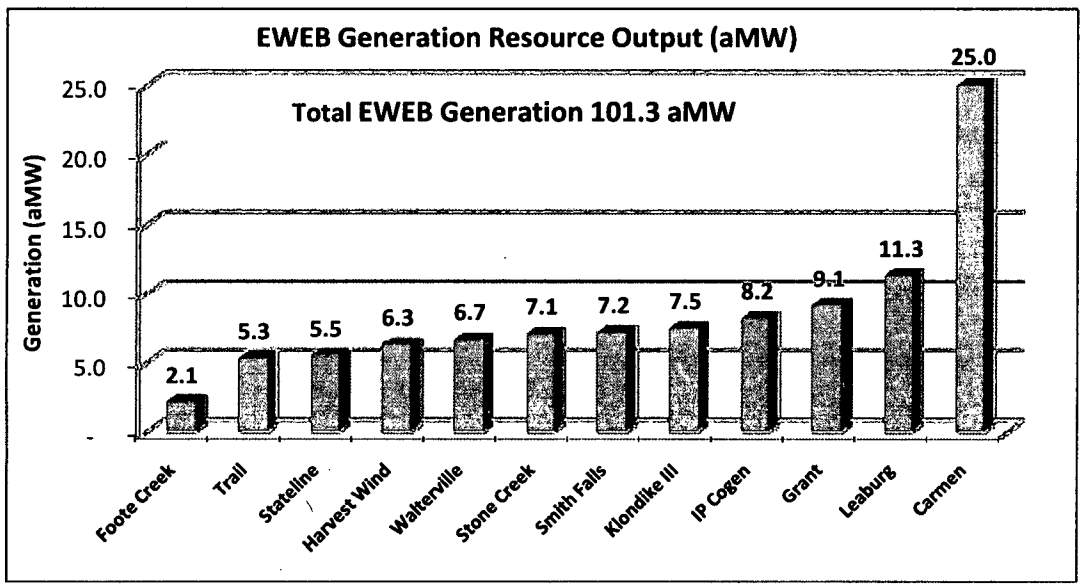
Electric System

The electric system serves a 234-square mile area, including the City and adjacent suburban areas. Power supply requirements are met primarily from hydroelectric sources, including self-generation and purchases from Bonneville. Retail sales comprise approximately 70% of revenues with wholesale sales accounting for 30% of revenues. Heating load and general economic conditions are the primary influences on retail sales. During 2009, retail load decreased by 8% from 2008 revealing the full-year effect of the closure of the Hynix plant.

EWEB sets budgets and power supply forecasts conservatively. Budgets assume that available water for generation will be 85% of the historical average. When the amount of water for generation is greater than 85%, additional funds are added to reserves to offset potential deficits in future years. Water available for generation in 2010 was 83% of normal, well below average (87% and 94% in 2009 and 2008, respectively).

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

During 2010 and 2009, the electric system purchased 60% of its power required to meet load from Bonneville (50% in 2008). The following graph and caption below it give context to the generation resources available to EWEB to meet load and sell into wholesale markets.



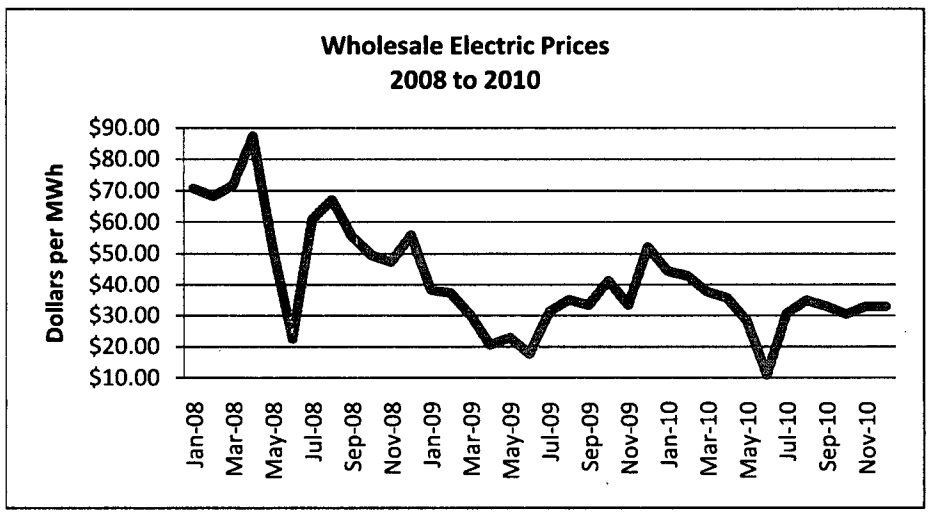
All Generation Resources (in aMW): EWEB 101, BPA 318, Total 419
2010 Load: 281 aMW

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

Financial Summary and Analysis

The electric system held steady during 2010 with a change in net assets (net income) comparable to that of 2009 and total assets at December 31, 2010 also essentially equal to 2009. Total liabilities decreased during 2010, so the overall financial performance was positive.

Recovery from the depressed wholesale price environment did not occur in 2010. Wholesale unit sales increased in volume during 2010, up 18%, however revenue was down because of lower prices. During 2009, the dramatic decrease in operating revenue was mostly from lower wholesale energy prices. All sales, both retail and wholesale, were negatively affected by the continuing economic recession. The graph below shows the overall downward trend in wholesale prices as well as the volatility of those prices.



	2008	*2009*	*2010*
Annual Price Average	*$ 59.17*	*$ 32.77*	*$ 32.48*

Load (local consumption) did not increase during 2010: Retail revenue was up $6 million for the commercial and industrial category because of rate increases and contractual arrangements tied to Slice results, and sales to residential customers was up $500 thousand, also because of increased rates. Rate increases were 1.9% effective May 2010 to fund capital improvement requirements in a depressed wholesale environment, and 5% effective November 2009 to pass through a price increase from BPA.

Overall, operating revenue was up $11.4 million from 2009. It was down $3.1 million for wholesale sales, up $6.4 million for the rate increases mentioned, and the remainder of the increase was from less traditional sources: $4.7 million represents recognition of previously deferred revenue from 2007, and $3.4 million was received from Bonneville for conservation installations. The deferred income is allowed under accounting standards involving utility rate-making environments where revenue from a previous year is used to cover costs incurred in later years, the intent of which is to match the revenue and expenses within a reporting period. $20 million of revenue generated in 2007 was set aside in a reserve fund to support costs of relicensing the Board's Carmen Smith Hydroelectric Generation Project. During 2010, $6.2 million was spent from that reserve including accumulated interest earnings and $4.7 million of the original $20 million set aside.

Operating expenses, overall, were up $15 million. Power purchases increased $12 million including $7.4 million in increased expense for purchases from BPA. Other increases were $2.5 million in depreciation expense on an increasing fixed asset base, $1.3 million for conservation including an expanded weatherization program under EWEB's Community Care program during the economic recession, and $700 thousand primarily for information technology costs. Transmission and distribution expenses decreased by $900 thousand and other savings were more evenly spread.

Non-operating activity and contributed capital made up for the overall decrease in net operating revenue compared to 2009. Surplus revenue payments to Eugene and Springfield were lower because of lower sales revenue, and contributions in aid of construction received were up, most notably from the University of Oregon for its construction projects.

Selected Financial Data

(in millions of dollars)

	2010	2009	2008
Operating revenues	$ 245	$ 234	$ 280
Operating expenses	(207)	(192)	(217)
Net operating income	38	42	63
Non-operating revenues	5	5	9
Non-operating expenses	(28)	(29)	(28)
Income before contributed capital	15	18	44
Contributed capital	4	1	1
Change in net assets	**$ 19**	**$ 19**	**$ 45**
Total assets	**$ 628**	**$ 628**	**$ 586**
Total liabilities	$ 324	$ 343	$ 320
Net assets			
Invested in capital assets, net of related debt	179	172	150
Restricted	13	8	8
Unrestricted	112	105	108
Total net assets	304	285	266
Total liabilities and net assets	**$ 628**	**$ 628**	**$ 586**

There were significant shifts in the balance sheet for the electric system during 2010 mostly characterized by drawing down working cash and reserves as they were invested in fixed assets or used to pay down liabilities. The largest shifts in the balance sheet were from the Board's involvement in the Harvest Wind generation facility and construction completion of the Roosevelt Operations Center.

There was also an impact from an accounting change for derivatives (required by new accounting standards effective 2010). At December 31, 2009, the reported fair value of derivatives was $2.5 million. Derivatives held at December 31, 2010 had a fair value of $13.3 million.

The Roosevelt Operations Center was placed in service November 2010 with an ending cost of $74 million. $44 million of the overall $51 million decrease in reserves and working cash during 2010 was to cover ROC construction costs. The water system is repaying the electric system for a portion of the facility's costs. $57 million was recorded with general plant for the electric utility; $17 million was recorded to general plant for the water system with a corresponding capital lease obligation to the electric system (and lease receivable on the electric system's balance sheet).

Total plant in service increased $83 million as of December 31, 2010. Significant additions other than the new operations facility were $13 million for transmission and distribution, $5 million for

information systems, and $3 million for communications equipment. Major additions during 2009 were $16 million for replacements in the distribution system and $3 million for upgrades at hydro facilities. Capital asset additions were $25 million in 2008.

Construction work-in-progess at the end of 2010 was $29 million including, most significantly, $15 million in upgrades at both of the Board's hydro facilities, $4 million for work at four distribution substations, and $3 million for transmission. Transmission and distribution projects include University of Oregon projects. Construction work in progress was $61 million at the end of 2009 about one-half of which was for the ROC, and $28 million at the end of 2008.

Capital Assets

(in millions of dollars)

	2010	2009	2008
Production and land	$ 209	$ 201	$ 200
Transmission and distribution	288	275	259
General plant	149	87	81
Total utility plant in service	$ 646	$ 563	$ 540

Liabilities

(in millions of dollars)

	2010	2009	2008
Current liabilities	$ 47	$ 92	$ 49
Noncurrent liabilities	277	251	271
Total liabilities	**$ 324**	**$ 343**	**$ 320**

The shift in current and long-term liabilities as of the end of 2010 was affected most by financing changes for the Board's 20% interest in Harvest Wind generation. A $43 million (short-term) line of credit obligation was reduced $11 million using distributions received from the project including a Treasury grant. The remaining amount owed on the credit line was refinanced with a long-term note. No other borrowing occurred during 2010; $12 million was paid out in routine principal payments on long-term debt during the year.

Water System

The water system provides water to all areas within the City, and two water districts. Water is supplied from the McKenzie River and is treated at the Hayden Bridge Filtration Plant, one of the largest treatment plants 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 26 enclosed reservoirs with a combined storage capacity of 94 million gallons, 32 pump stations and approximately 800 miles of distribution mains.

Financial Summary and Analysis

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

During 2010 the water system sold 7.8 billion gallons of water, 9% of which was to the water districts. This was approximately 1 billion gallons fewer than the volume sold in 2009.This was due to the unusually wet transition from spring to summer in 2010. Residential sales revenue was down 11% or $138,000 compared to 2009. Overall sales revenue remained consistent with that of 2009 because of a 7.3% rate increase effective May 2010. An 18% rate increase was effective one year earlier which was partly to recover lost revenue from the water system's largest customer, Hynix. Hynix ceased operations in late 2008 and the loss to water revenue was estimated at $915,000 for 2009.

Operating expenses were up only 3% represented mostly by an increase in depreciation expense of $400,000 which carried through as the decrease in net operating revenue compared to results of 2009. Depreciation and maintenance expenses were the primary reasons for increased operating expenses experienced in 2009, over 2008.

Non-operating revenues consisting primarily of interest and grant revenues were similar to 2009 in total. Non-operating expenses for interest expense and other financing costs were up $126,000. Two months of interest expense on the water utility's capital lease obligation for the Roosevelt Operations Center (beginning November 1, 2010) was $122,000. Contributed capital consisting of system development charges and contributions-in-aid were up collectively by $214,000. Contributions in aid of construction and system development charges had declined dramatically in 2009, down $748,000 (54%) and $322,000, respectively, due to a general decline in construction activity.

In terms of the bottom line, the change in net assets was just $380,000 less than that of 2009. However, all reserves and operating cash were drawn down, $3.3 million in total.The operating reserve, in particular, was low: $700,000 at December 31, 2010 compared to $1.3 million at the end of 2009. (The reserve was drawn down $600,000 to make up for relatively poor sales in 2010.)

Selected Financial Data

(in millions of dollars)

	2010	2009	2008
Operating revenues	$ 23.1	$ 23.1	$ 20.9
Operating expenses	(17.5)	(17.0)	(16.0)
Net operating income	5.6	6.1	4.9
Non-operating revenues	0.4	0.4	1.4
Non-operating expenses	(2.5)	(2.4)	(2.4)
Income before contributed capital	3.5	4.1	3.9
Contributed capital	1.6	1.4	2.3
Change in net assets	**$ 5.1**	**$ 5.5**	**$ 6.2**
Total assets	**$ 134.0**	**$ 113.4**	**$ 109.6**
Total liabilities	$ 58.4	$ 42.8	$ 44.5
Invested in capital assets, net of related debt	62.2	53.1	49.2
Restricted	4.3	5.0	8.2
Unrestricted	9.1	12.5	7.7
Total net assets	75.6	70.6	65.1
Total liabilities and net assets	**$ 134.0**	**$ 113.4**	**$ 109.6**

Total assets and total liabilities were both affected by the water utility's capital lease for the ROC: $17 million as an increase to plant and an equal amount as a capital lease obligation. Total assets were up $21 million at December 31, 2010, the result of net additions to plant and the decrease in cash and reserves.

Other additions to plant in service during the year were $12 million for expansion of the Hayden Bridge water treatment facility, $1.2 million for water mains, $.8 million for replacement of the City View pump station, and $1 million for improvements to the College Hill reservoir.

The water utility had a much reduced level of capital work in process at the end of the year, $5 million for water main extensions and replacements and repairs at the Willamette reservoir, compared to $21 million at the end of 2009 and $17 million at the end of 2008.

Capital Assets

(in millions of dollars)

	2010	2009	2008
Production and land	$ 51	$ 38	$ 36
Transmission and distribution	110	97	88
General plant	27	8	7
Total utility plant in service	$ 188	$ 143	$ 131

Liabilities

(in millions of dollars)

	2010	2009	2008
Current liabilities	$ 4	$ 4	$ 4
Noncurrent liabilities	54	39	40
Total liabilities	$ 58	$ 43	$ 44

At year-end the water system had $35 million of revenue bonds outstanding versus $36 million at the end of 2009 and $37 million in 2008. In July 2008, $16 million in new revenue bonds were issued to fund capacity additions to the Hayden Bridge Filtration Plant and the replacement of storage, transmission and distribution facilities. Those funds were reduced to just $200,000 by the end of 2009 and depleted during 2010.

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 through 2012.

Outlook

Given the slow economic recovery, the Board plans to continue increased assistance to its customers through its Community Care and Customer Care programs.

Both systems plan to issue bonds during 2011 to cover the cost of long-term assets within each system's capital improvement plans. Both systems are anticipating the need for rate increases prompted by their current operating environments. For the water system, impacts are primarily a projected operating deficit and a need to restore its operating reserve; for the electric system, its long-term power purchase agreement with Bonneville expires in August 2011 and the new agreement will provide less power. The electric system is also continuing to experience depressed prices for wholesale sales of its power.

A license approval from the Federal Energy Regulatory Commission for the Board's Carmen Smith Hydroelectric Project is anticipated for 2011. Corresponding construction under the license requirements would begin in the following year.

BALANCE SHEETS
December 31, 2010 and 2009

	Electric System		Water System	
	2010	2009	2010	2009
ASSETS				
Utility plant in service	$ 645,819,607	$ 562,998,482	$ 187,657,436	$ 143,170,492
Less accumulated depreciation	314,644,968	298,710,026	79,854,069	76,157,391
Net utility plant in service	331,174,639	264,288,456	107,803,367	67,013,101
Property held for future use	789,172	789,172	989,578	989,578
Construction work in progress	29,323,065	60,832,394	4,897,948	21,147,888
Net utility plant	361,286,876	325,910,022	113,690,893	89,150,567
Debt service reserves	2,807,938	2,802,922	1,511,778	1,402,664
Customer deposit and other	4,821,669	3,040,379	-	-
Harvest Wind escrow accounts	2,232,275	-	-	-
Construction funds	1,978,392	34,773,681	-	189,863
System development charge reserves	-	-	2,261,390	3,019,030
Investments for bond principal and interest	9,693,661	9,606,345	1,175,935	1,226,918
Restricted cash and investments	21,533,935	50,223,327	4,949,103	5,838,475
Cash and cash equivalents	3,487,506	381,473	1,103,034	1,906,900
Short-term investments	4,854,602	20,876,617	-	-
Designated cash and investments				
Purchased power reserve	38,376,134	39,644,399	-	-
Capital improvement reserve	6,751,640	13,920,830	6,167,465	7,149,736
Carmen-Smith reserve	15,321,499	21,570,778	-	-
Operating reserve	7,325,445	3,778,065	695,218	1,287,372
Pension and medical reserve	5,123,062	2,998,862	-	-
Receivables, less allowances	32,744,654	34,164,865	1,813,675	1,770,985
Interest receivable, Water	156,103	156,102	-	-
Note receivable, Water	207,277	207,277	-	-
Lease receivable, Water	404,623	-	-	-
Materials and supplies	2,433,024	2,465,717	559,378	681,416
Prepaids	2,932,997	2,346,183	594,727	560,585
Option premiums short-term	3,574,356	3,657,866	-	-
Total current assets	123,692,922	146,169,034	10,933,497	13,356,994

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

See accompanying notes.

BALANCE SHEETS
December 31, 2010 and 2009

Total Systems	
2010	2009
$ 833,477,043	$ 706,168,974
394,499,037	374,867,417
438,978,006	331,301,557
1,778,750	1,778,750
34,221,013	81,980,282
474,977,769	415,060,589
4,319,716	4,205,586
4,821,669	3,040,379
2,232,275	-
1,978,392	34,963,544
2,261,390	3,019,030
10,869,596	10,833,263
26,483,038	56,061,802
4,590,540	2,288,373
4,854,602	20,876,617
38,376,134	39,644,399
12,919,105	21,070,566
15,321,499	21,570,778
8,020,663	5,065,437
5,123,062	2,998,862
34,558,329	35,935,850
-	-
-	-
404,623	-
2,992,402	3,147,133
3,527,724	2,906,768
3,574,356	3,657,866
134,626,419	159,526,028

Continued

BALANCE SHEETS
December 31, 2010 and 2009

	Electric System		Water System	
	2010	2009	2010	2009
ASSETS (continued)				
Prepaid retirement obligation	14,793,421	15,737,682	3,247,346	3,454,611
Long-term receivables, conservation and other	4,032,937	4,441,735	-	-
Note receivable, Water	3,247,334	3,454,611	-	-
Lease receivable, Water	16,948,947	-	-	-
Investment in Harvest Wind	29,019,224	41,552,929	-	-
Deferred charges				
Preliminary investigations	22,899,190	19,051,658	-	-
Conservation assets	4,479,567	5,995,807	-	-
Derivatives at fair value	13,279,074	2,530,525	-	-
Option premiums long-term	1,380,960	1,274,160	-	-
Other deferred charges	11,416,174	11,693,573	1,248,661	1,544,909
Total other assets	121,496,828	105,732,680	4,496,007	4,999,520
Total assets	$ 628,010,561	$ 628,035,063	$ 134,069,500	$ 113,345,556
LIABILITIES				
Payables	$ 25,612,952	$ 29,342,701	$ 1,185,071	$ 1,340,173
Accrued payroll and benefits	3,383,075	3,095,253	571,679	627,947
Accrued interest on long-term debt	4,799,940	4,818,461	662,254	686,164
Interest payable, Electric	-	-	156,103	156,102
Line of credit	-	43,000,000	-	-
Long-term debt due within one year	13,425,666	11,610,000	1,225,000	1,295,000
Note payable, Electric	-	-	207,277	207,277
Capital lease obligation, Electric	-	-	404,623	-
Total current liabilities	47,221,633	91,866,415	4,412,007	4,312,663
Long-term debt	244,116,962	223,886,805	33,436,940	34,575,096
Note payable, Electric	-	-	3,247,334	3,454,611
Capital lease obligation, Electric	-	-	16,948,947	-
Derivatives at fair value	13,279,074	2,530,525	-	-
Other liabilities	3,643,332	4,220,701	388,958	433,891
Deferred revenue	15,321,508	20,000,000	-	-
Deferred credit - WGA	432,839	755,807	-	-
Total liabilities	324,015,348	343,260,253	58,434,186	42,776,261
NET ASSETS				
Invested in capital assets, net of related debt	179,492,915	171,868,487	61,471,004	52,883,226
Restricted	12,563,283	8,393,961	4,286,849	5,152,311
Unrestricted	111,939,015	104,512,362	9,877,461	12,533,758
Total net assets	303,995,213	284,774,810	75,635,314	70,569,295
Total liabilities and net assets	$ 628,010,561	$ 628,035,063	$ 134,069,500	$ 113,345,556

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

See accompanying notes.

BALANCE SHEETS
December 31, 2010 and 2009

Total Systems	
2010	2009
18,040,767	19,192,293
4,032,937	4,441,735
-	-
16,948,947	-
-	-
22,899,190	19,051,658
4,479,567	5,995,807
13,279,074	2,530,525
1,380,960	1,274,160
12,664,835	13,238,482
125,992,835	110,732,200
$ 762,080,061	$ 741,380,619
$ 26,798,023	$ 30,682,874
3,954,754	3,723,200
5,462,194	5,504,625
-	-
-	43,000,000
14,650,666	12,905,000
-	-
404,623	-
51,633,640	96,179,078
277,553,902	258,461,901
-	-
16,948,947	-
13,279,074	2,530,525
4,032,290	4,654,592
15,321,508	20,000,000
432,839	755,807
382,449,534	386,036,514
240,963,919	224,751,713
16,850,132	13,546,272
121,816,476	117,046,120
379,630,527	355,344,105
$ 762,080,061	$ 741,380,619

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended December 31, 2010 and 2009

	Electric System		Water System	
	2010	2009	2010	2009
Residential	$ 81,444,152	$ 80,939,829	$ 12,393,682	$ 12,531,542
Commercial and industrial	89,067,350	83,117,695	10,130,637	9,987,960
Sales for resale and other	70,501,316	70,237,650	629,783	567,638
Regulatory credits - net	4,678,492	-	-	-
Operating revenues	245,691,310	234,295,174	23,154,102	23,087,140
Purchased power	104,733,727	92,666,155	-	-
System control	5,349,353	5,082,815	-	-
Wheeling	11,338,656	11,700,114	-	-
Steam and hydraulic generation	12,812,542	13,116,497	-	-
Transmission and distribution	17,551,747	18,488,642	6,091,645	5,890,532
Source of supply, pumping and purification	-	-	2,986,333	2,905,108
Customer accounting	9,961,660	10,158,193	1,263,520	1,241,591
Conservation expenses	8,917,022	7,633,877	352,877	387,963
Administrative and general	20,774,328	20,091,862	3,310,375	3,476,822
Depreciation on utility plant	15,915,385	13,421,472	3,532,985	3,132,460
Operating expenses	207,354,420	192,359,627	17,537,735	17,034,476
Net operating income	38,336,890	41,935,547	5,616,367	6,052,664
Interest earnings on investments	1,487,220	1,557,591	35,704	147,723
Allowance for funds used during construction	228,083	185,916	88,547	96,052
Other revenue	3,647,547	3,001,904	288,542	201,756
Non-operating revenues	5,362,850	4,745,411	412,793	445,531
Surplus revenue payments	13,513,357	14,311,105	-	-
Other revenue deductions	2,771,432	2,656,690	315,546	252,285
Interest expense and related amortization	12,302,880	11,951,136	2,277,386	2,227,833
Allowance for borrowed funds used during construction	(183,713)	(146,200)	(39,200)	(51,763)
Non-operating expenses	28,403,956	28,772,731	2,553,732	2,428,355
Income before contributed capital	15,295,784	17,908,227	3,475,428	4,069,840
Contributions in aid of construction	3,904,813	1,082,708	635,888	623,808
Contributed plant assets	19,806	8,869	297,269	256,944
System development charges	-	-	657,434	494,949
Contributed capital	3,924,619	1,091,577	1,590,591	1,375,701
Change in net assets	19,220,403	18,999,804	5,066,019	5,445,541
Total net assets at beginning of year	284,774,810	265,775,006	70,569,295	65,123,754
Total net assets at end of year	$ 303,995,213	$ 284,774,810	$ 75,635,314	$ 70,569,295

Note: Inter-system interest earnings and expenses are eliminated in the Total Systems column.

See accompanying notes.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended December 31, 2010 and 2009

Total Systems	
2010	2009
$ 93,837,834	$ 93,471,371
99,197,987	93,105,655
71,131,099	70,805,288
4,678,492	-
268,845,412	257,382,314
104,733,727	92,666,155
5,349,353	5,082,815
11,338,656	11,700,114
12,812,542	13,116,497
23,643,392	24,379,174
2,986,333	2,905,108
11,225,180	11,399,784
9,269,899	8,021,840
24,084,703	23,568,684
19,448,370	16,553,932
224,892,155	209,394,103
43,953,257	47,988,211
1,400,670	1,705,314
316,630	281,968
3,936,089	3,203,660
5,775,643	5,190,942
13,513,357	14,311,105
3,086,978	2,908,975
14,458,012	14,178,969
(222,913)	(197,963)
30,957,688	31,201,086
18,771,212	21,978,067
4,540,701	1,706,516
317,075	265,813
657,434	494,949
5,515,210	2,467,278
24,286,422	24,445,345
355,344,105	330,898,760
$ 379,630,527	$ 355,344,105

STATEMENTS OF CASH FLOWS
Years ended December 31, 2010 and 2009

	Electric System		Water System	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 240,950,809	$ 236,408,442	$ 23,082,018	$ 22,857,039
Other receipts	3,084,593	852,207	289,319	190,354
Power purchases	(106,215,573)	(93,978,439)	-	-
Payments to employees	(32,677,290)	(34,071,189)	(8,250,032)	(8,314,745)
Payments to suppliers	(55,218,396)	(55,167,684)	(5,502,093)	(5,330,473)
Surplus revenue payments	(13,401,587)	(14,287,445)	-	-
Net cash from operating activities	36,522,556	39,755,892	9,619,212	9,402,175
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investment securities	(199,723,133)	(304,375,620)	(12,246,198)	(15,981,832)
Proceeds from sale and maturities of investments	251,316,111	307,284,473	10,696,204	26,038,938
Interest on investments	2,911,262	5,034,497	68,786	536,231
Additions to equity interest in Harvest Wind	(263,710)	(41,647,676)	-	-
Distributions from equity investment in Harvest Wind	12,956,446	-	-	-
Distributions from equity investment in WGA	372,854	400,000	-	-
Net cash from investing activities	67,569,830	(33,304,326)	(1,481,208)	10,593,337
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Note receipts from Water	207,277	207,277	-	-
Interest receipts from Water	374,646	374,646	-	-
Proceeds from line of credit	-	43,000,000	-	-
Proceeds from long-term note	34,000,000	-	-	-
Note issuance costs	(169,958)	-	-	-
Principal payments	(43,604,597)	-	-	-
Interest payments	(1,089,293)	(380,251)	-	-
Note payments to Electric	-	-	(207,277)	(207,277)
Interest payments to Electric	-	-	(374,646)	(374,646)
Net cash from non-capital financing activities	(10,281,925)	43,201,672	(581,923)	(581,923)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments	(11,610,000)	(10,780,000)	(1,295,000)	(1,225,000)
Additions to utility plant, net	(67,441,378)	(38,832,196)	(10,549,572)	(16,692,418)
Interest payments	(11,469,374)	(12,428,306)	(1,769,067)	(1,728,327)
Additions to preliminary surveys and other	(4,372,722)	8,850,721	-	-
Contributed capital	3,924,619	1,091,577	1,293,322	1,118,756
Net cash from capital and related financing activities	(90,968,855)	(52,098,204)	(12,320,317)	(18,526,989)
CHANGE IN CASH AND CASH EQUIVALENTS	2,841,606	(2,444,966)	(4,764,236)	886,600
CASH AND CASH EQUIVALENTS, beginning of year	23,452,298	25,897,264	13,552,901	12,666,301
CASH AND CASH EQUIVALENTS, end of year including cash and cash equivalents restricted or designated: $22,806,398 and $7,685,631 ($22,576,169 and $11,646,001 in 2009) for Electric and Water, respectively.	$ 26,293,904	$ 23,452,298	$ 8,788,665	$ 13,552,901

NON-CASH CAPITAL ACTIVITY:
In 2010, plant assets contributed by developers were $19,806 for the Electric System, and $297,269 for the Water System ($8,869 for the Electric System, and $118,550 for the Water System in 2009)

Note: Inter-system note and interest receipts and payments are eliminated in the Total Systems column.

See accompanying notes.

STATEMENTS OF CASH FLOWS
Years ended December 31, 2010 and 2009

Total Systems	
2010	2009
$ 264,032,827	$ 259,265,481
3,373,912	1,042,561
(106,215,573)	(93,978,439)
(40,927,322)	(42,385,934)
(60,720,489)	(60,498,157)
(13,401,587)	(14,287,445)
46,141,768	49,158,067
(211,969,331)	(320,357,452)
262,012,315	333,323,411
2,980,048	5,570,728
(263,710)	(41,647,676)
12,956,446	-
372,854	400,000
66,088,622	(22,710,989)
-	-
-	-
-	43,000,000
34,000,000	-
(169,958)	-
(43,604,597)	-
(1,089,293)	(380,251)
-	-
-	-
(10,863,848)	42,619,749
(12,905,000)	(12,005,000)
(77,990,950)	(55,524,614)
(13,238,441)	(14,156,633)
(4,372,722)	8,850,721
5,217,941	2,210,333
(103,289,172)	(70,625,193)
(1,922,630)	(1,558,366)
37,005,199	38,563,565
$ 35,082,569	$ 37,005,199

Continued

STATEMENTS OF CASH FLOWS
Years ended December 31, 2010 and 2009

	Electric System		Water System	
	2010	2009	2010	2009
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES				
Net operating income	$ 38,336,890	$ 41,935,547	$ 5,616,367	$ 6,052,664
Adjustments to reconcile net operating income to net cash from operating activities				
Depreciation, net	15,934,941	12,452,009	3,532,985	3,132,460
Surplus revenue payments	(13,401,587)	(14,287,445)	-	-
Other revenue	3,790,679	2,825,736	288,542	185,176
Other revenue deductions	-	-	(230,061)	(235,116)
(Income) loss from Harvest Wind	(159,031)	94,747	-	-
(Income) from WGA	(695,822)	(729,737)	-	-
(Increase) decrease in assets				
Receivables	291,902	2,047,411	(27,759)	(162,070)
Materials and supplies	32,693	63,349	122,038	(131,908)
Prepayments and special deposits	(503,304)	195,208	(232,591)	(182,137)
Conservation loans, net	850,625	580,294	5,407	20,076
Long-term receivables, other	(220,914)	213,763	-	-
Prepaid retirement obligation	944,261	944,260	207,264	207,277
Deferred charges	(10,284,953)	4,455,052	447,026	595,313
Increase (decrease) in liabilities				
Accounts payable, accrued payroll and benefits	(3,886,512)	(3,676,889)	(42,006)	(24,944)
Deferred revenue	(4,678,492)	-	-	-
Other liabilities	10,171,180	(7,357,413)	(68,000)	(54,616)
Net cash from operating activities	$ 36,522,556	$ 39,755,892	$ 9,619,212	$ 9,402,175

See accompanying notes.

STATEMENTS OF CASH FLOWS
Years ended December 31, 2010 and 2009

Total Systems	
2010	2009
$ 43,953,257	$ 47,988,211
19,467,926	15,584,469
(13,401,587)	(14,287,445)
4,079,221	3,010,912
(230,061)	(235,116)
(159,031)	94,747
(695,822)	(729,737)
264,143	1,885,341
154,731	(68,559)
(735,895)	13,071
856,032	600,370
(220,914)	213,763
1,151,525	1,151,537
(9,837,927)	5,050,365
(3,928,518)	(3,701,833)
(4,678,492)	-
10,103,180	(7,412,029)
$ 46,141,768	$ 49,158,067

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 234 square mile area, including the City of Eugene and adjacent suburban areas. The Board has the authority to fix rates and charges. In order to secure power resources, the Board has taken ownership of various generation facilities. In addition, the Board has entered into joint ventures, whereby it has taken or anticipates taking an equity position in various generation facilities. The operations and sale of energy generated from the Board's relationship with each of the facilities is subject to certain risks. Operations are contingent on various factors, such as regulation, river flow levels, licensing agreements and weather patterns. The Board is subject to various forms of regulation under federal, state and local laws and is subject to various Federal Energy Regulatory Commission (FERC) regulations. Laws and regulations are subject to change and may have a direct impact on the operations of the Board.

Notes, interest receivable and payable between the electric and water utilities and related interest earnings and expense are eliminated in the Total Systems columns of the financial statements.

Note 2 - Summary of significant accounting policies

Method of Accounting
The Board maintains its accounting records in accordance with accounting principles generally accepted in the United States of America. Beginning January 1, 2010 the Board applies accounting and reporting standards of the GASB, exclusively.

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

Reclassifications
Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications had no effect on previous net revenue or net assets.

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. Depreciation is computed using straight-line group rates.

Effective January 1, 2010, the Board adopted GASB No. 51, *Accounting and Financial Reporting for Intangible Assets* which requires reporting of intangible assets as capital assets and subsequent recognition of depreciation, amortization or impairment as applicable. Intangible assets are those lacking physical substance, and within the scope of this statement, are also identifiable (capable of being sold), nonfinancial in nature, and not acquired primarily for purposes of directly obtaining income. Upon implementation, the Board capitalized costs incurred during 2010 for perfecting water rights in the amount of $31,000 to the Water System and land easements in the amounts of $20,000 to the Electric System and $15,000 to the Water System. These are assets with indefinite lives which are not subject to depreciation or amortization.

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

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

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

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

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

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

Preliminary Investigations
At December 31, 2010, the Electric System had $22.9 million in deferred costs for the preliminary investigation of projects it believes will be viable in the future. Most of the balance was for preconstruction relicensing costs of the Carmen Smith Project ($19.1 million at December 31, 2009).

Fair Value of Renewable Energy Certificates
Renewable Energy Certificates (RECs) are tradable environmental attributes. Each certificate represents 1 megawatt hour of generation from a renewable generation resource. The Board records the fair market value of its portfolio of RECs as a deferred charge and an offsetting deferred liability. Fair value represents prices quoted by brokers.

Regulatory Deferrals
The Board has deferred revenues and costs to be charged to future periods matching the time periods when the revenues and expenses are included in rates.

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

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

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

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

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

- **Deferred Revenue**
  Revenues obtained through current rates attributable to significant associated costs to be incurred in the future, are deferred (a decrease in operating revenue) and later recognized (an increase to operating revenue) during the periods when the associated costs are incurred. At December 31, 2007, $20 million in revenue for the relicensing of Carmen Smith was deferred to future periods when those costs will be incurred. For the year ended December 31, 2010, $4.7 million was recognized as revenue and included with "Regulatory credits – net."

Debt Refundings
For current and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt (gain or loss) is deferred and amortized as a component of interest expense over the remaining life of the old debt or the new debt, whichever is shorter. These amounts are reported as a component of the new debt liability on the Balance Sheet.

Net Assets
Net assets consist of:

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

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

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

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

(Net Assets, continued)

Net assets are as follows:

	2010		2009	
	Electric System	Water System	Electric System	Water System
Invested in capital assets, net of related debt	$ 179,492,915	$ 61,471,004	$ 171,868,487	$ 52,883,226
Restricted for:				
Capital projects	66,453		308,500	189,863
Customer deposits	1,475,146			
Customer care program	699,567		-	-
Harvest Wind escrow	2,232,275			
System development charges	-	2,261,390	-	3,019,030
Western Generation Agency	388,183		-	-
Debt service	7,701,659	2,025,459	7,590,806	1,943,418
	12,563,283	4,286,849	7,899,306	5,152,311
Unrestricted	111,939,015	9,877,461	105,007,017	12,533,758
	$ 303,995,213	$ 75,635,314	$ 284,774,810	$ 70,569,295

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 11% of 2010 Electric System's retail revenues were the result of sales to one industrial customer (10% of retail sales were the result of sales to two customers in 2009). Estimated revenues are accrued for power and water deliveries not yet billed to customers from meter reading dates prior to month end (unbilled revenue).

The credit practices of the Board require an evaluation of each new customer's credit worthiness on a case-by-case basis. At the discretion of management, a deposit may be obtained from the customer. Concentrations of credit risk with respect to receivables for residential customers are limited due to the large number of customers comprising the Board's customer base. Credit losses have been within management's expectations. Similar to its evaluation of residential, commercial and industrial customers' credit reviews, the Board continually evaluates its wholesale power customers (sales for resale revenue) by reviewing credit ratings and financial credit worthiness of existing and new wholesale customers.

Revenues are recorded net of the allowance for doubtful accounts. The allowance is determined by an examination of write off experience in the preceding five years, and consideration of other influences as appropriate. Total amounts written off for the year ended December 31, 2010 were $374,000 ($390,000 for 2009) for the Electric System, and $40,000 ($41,000 for 2009) for the Water System.

Surplus Revenue Payments
In accordance with Oregon Revised Statutes (ORS 225.270), the Electric System makes surplus revenue payments to the City of Eugene at the rate of 6% of retail sales and 17% of net margin on certain wholesale sales. The Board makes surplus revenue payments to the City of Springfield at the rate of 3% of retail sales for customers that lie within the boundaries of the City of Springfield. Total surplus revenue payments for the year ended December 31, 2010 were $13.5 million ($14.3 million for 2009).

Environmental Expenses
Fish and plant habitat enhancements, as well as pollution prevention improvements are expensed or capitalized depending upon their future economic benefits. Most pollution remediation outlays, legal obligations to address existing pollution, do not qualify for capitalization under GAAP and are accrued as liabilities and expenses according to the estimated remediation costs on a current cost basis (rather than present value of future costs).

Note 3 – Power Risk Management

The Board's Power Risk Management Guidelines set forth policies, limits and control systems governing power and fuel purchase and sales activities for the Electric System. The objectives of such policies are to maximize benefits to the customers from wholesale activities while minimizing the risk that wholesale activities will adversely affect retail prices. The Board does not enter into contracts for speculative purposes. During periods when resources are in excess of retail load, the Board may sell excess capacity into the wholesale markets, and is exposed to commodity price risk. The Board enters into forward contracts intended to manage the price risk associated with power sales in the wholesale market.

Derivative Financial Instruments
In accordance with policy guidelines, the Board utilizes derivative instruments to minimize its exposure to commodity price risk. In 2010, EWEB implemented GASB Statement No. 53, which addresses recognition, measurement and disclosure of derivative instruments. Hedging derivatives are reported on the balance sheet at fair value. The fair value of options and swaptions are determined using the Black formula. The fair value of financial swaps is determined by comparing the contract prices with the forecasted market prices.

All potential hedging derivatives were evaluated for effectiveness as of January 1, 2010, and were determined to be effective using the consistent critical terms method. A derivative instrument is effective under criteria for consistent critical terms when the significant terms of the hedging instrument and the hedgeable item are alike. The significant terms for hedging derivatives are the time period, quantity, price index, and point of delivery.

As of December 31, 2010, the total fair value of hedging derivatives was a net liability of $3,400,000. Hedging derivatives with a fair value of $5,000,000 were reported as an other asset and deferred inflow. Hedging derivatives with a fair value of $8,300,000 were reported as other liabilities and deferred outflow. Changes in fair value are reported as an increase or decrease in the other asset or liability

(Note 3 –Power Risk Management, continued)

(Derivative financial instruments, continued)

balance and deferred inflows or outflows until the time of settlement. When hedging derivatives settle, the deferral balance is reclassified to either purchased power or wholesale sales.

Investment Derivatives
Hedging derivatives that are found through testing to be ineffective are classified as investment derivatives. At that time, the fair value, including any fair value changes that had previously been deferred on the balance sheet, are recorded as investment revenue and a deferred inflow or outflow. When the underlying trades settle, the settled amounts are recorded as investment revenue, net of deferred inflows and outflows. For the year ended December 31, 2010, $224,200 had been recognized as investment revenue from derivatives. There were no investment derivatives in 2009.

	Hedging Derivatives		Investment Derivatives	
	2010	2009	2010	2009
	Options and swaps	Options and swaps	Options and swaps	Options and swaps
Notional value	$ 4,932,706	$ 12,157,950	$ -	$ -
Fair value - asset	4,996,166	2,658,867	-	-
Fair value - liability	9,318,458	128,342	-	-
Reference rates	Mid-C index	Mid-C index	Mid-C index	Mid-C index
Dates entered into	2/09 through 12/10	2/08 through 8/09	n/a	n/a
Dates of maturity	1/11 through 6/12	1/10 through 7/11	n/a	n/a
Cash paid	$ 4,955,316	$ 4,932,026	$ -	$ -

Credit Risk
The Board enters into forward purchase and sale contracts for electricity and natural gas with utilities and marketers. The Board is exposed to credit risk related to the possibility of non-performance by its counterparties. To limit the risk of counterparty default or non-performance, the Board uses an evaluation process that assigns an internal measure of credit worthiness to the Board's counterparties and sets limits to the dollar value of business that can be transacted with counterparties. The Board generally chooses not to do business with counterparties with credit risk ratings that would indicate that cash collateral deposits would be required. On a case by case basis, the Board may require letters of credit or other assurances in lieu of cash collateral. Other assurances may include accelerated invoicing or pre-payment. The Board enters into master netting agreements with most counterparties.
The Board's counterparties are concentrated in the wholesale energy marketing and trading sector and the banking sector, which comprise 94% and 6%, respectively of all derivative instruments.

Sector	Maximum possible loss
Wholesale energy marketing and trading	$ 3,949,179
Banking	261,147
Credit rating	A+ through BBB+

Termination Risk

Hedging derivative contracts may be terminated by mutual agreement of the Board and the counterparty, or upon the occurrence of a termination event. Termination events include the non-payment, non-delivery, deterioration of creditworthiness, or other material adverse changes. During the years 2010 and 2009, there were no terminations.

Note 4 - Utility plant

The major classifications and depreciable lives of utility plant in service are as follows:

Electric Utility Plant

	Depreciable Life -Years	Balance at December 31, 2009	Increases	Decreases	Balance at December 31, 2010
Land		$ 4,979,799	$ 3,610,163	$ -	$ 8,589,962
Steam production	10-25	20,408,321	91,784	-	20,500,105
Hydro production	36-50	162,883,055	3,236,603	-	166,119,658
Wind production	25	13,087,182	-	-	13,087,182
Transmission	33.3-50	60,151,292	3,174,009	-	63,325,301
Distribution	28.5	214,757,396	10,696,895	(508,180)	224,946,111
General plant	3-50	86,731,437	62,965,128	(445,277)	149,251,288
Total utility plant in service		562,998,482	83,774,582	(953,457)	645,819,607
Accumulated depreciation		(298,710,026)	(16,900,647)	965,705	(314,644,968)
Property held for future use		789,172	-	-	789,172
Construction work in progress		60,832,394	63,929,228	(95,438,557)	29,323,065
Net utility plant		$ 325,910,022	$ 130,803,163	$ (95,426,309)	$ 361,286,876

Water Utility Plant

	Depreciable Life -Years	Balance at December 31, 2009	Increases	Decreases	Balance at December 31, 2010
Land		$ 1,429,371	$ 45,774	$ -	$ 1,475,145
Structure	50	26,749,448	12,856,795	-	39,606,243
Pumping	20	7,984,363	931,600	-	8,915,963
Purification	25	1,252,909	-	-	1,252,909
Transmission	28.5	17,279,063	-	-	17,279,063
Reservoirs	50	20,482,101	1,934,601	-	22,416,702
Distribution	28.5	44,144,039	8,123,958	-	52,267,997
Services, meters and hydrants	20-28.5	15,468,401	1,667,345	(87,426)	17,048,320
General plant	3-50	8,380,797	19,014,296	-	27,395,093
Total utility plant in service		143,170,492	44,574,369	(87,426)	187,657,435
Accumulated depreciation		(76,157,391)	(3,784,104)	87,426	(79,854,069)
Property held for future use		989,578	-	-	989,578
Construction work in progress		21,147,888	9,480,406	(25,730,345)	4,897,949
Net utility plant		$ 89,150,567	$ 50,270,671	$ (25,730,345)	$ 113,690,893

Contributed Capital
Contributions in Aid of Construction and System Development Charges are paid by developers and customers 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 5 - 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 deposits and other** - Used to account for deposits collected from retail and wholesale power customers and held for future refund or application to customer account balances. Also includes donations to the Customer Care Program totaling $700,000 in 2010 ($495,000 in 2009).

- **Harvest Wind escrow accounts** – Funds include amounts held in escrow and related to EWEB's investment in the Harvest Wind Project (the Project), consisting of funds held back and deposited to escrow from the receipt of Federal energy grant funds in 2010 (original escrow deposit of $1,340,000), and a deposit in lieu of letter of credit with regard to the Project's transmission contract with Klickitat PUD (original deposit $891,000).

- **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 notes and contributions from customers or contractors for construction projects.

- **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.

- **Debt service reserves** - Deposits held for debt service coverage pursuant to bond indentures and in lieu of, or replacing, bond sureties.

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

(Note 5 – Cash and investments, continued)

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, self-insured claims, and loans to Steam Utility customers as part of transitioning those customers off of steam heat.

- **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, 2010, were $10.75 million. Of the bank balances, $250,000 were covered by federal depository insurance and $10.25 million were collateralized with securities.

Custodial credit risk for deposits is the risk that in the event of failure of a depository financial institution, a depositor will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. Deposits not covered by depository insurance are exposed to custodial credit risk when collateral for deposits is held by the pledging institution or its trust department or agency, but not in the name of the depositor. According to the Board's investment policy, securities are 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, 2010, the Board held the following investments (Electric and Water Systems combined):

Investment Type	Credit Rating	Carrying Value	Weighted Average Maturity (Years)	% of Portfolio
Local Government Investment Pool	AA	$ 28,859,043	0.467	26.4%
U.S. Treasury and Agency Securities				
FHLB		15,251,404		
FNMA		27,668,342		
FHLMC		11,693,831		
FFCB		8,478,319		
Other Agency		8,355,314		
US Treasury Note		2,003,280		
Subtotal US Treasury and Agency	AAA	73,450,490	0.559	67.1%
Municipal Security-ODOT	AAA	1,040,230	0.863	1.0%
Corporate Bonds	AA	6,115,354	0.416	5.5%
Subtotal all securities		80,606,074	0.552	73.6%
Total		$ 109,465,117	0.530	100%

As of December 31, 2009, the Board held the following investments (Electric and Water Systems combined):

Investment Type	Credit Rating	Carrying Value	Weighted Average Maturity (Years)	% of Portfolio
Local Government Investment Pool	AA	$ 34,160,484	0.562	20.5%
U.S. Agency Securities				
FHLB		44,828,022		
FHLMC		37,776,444		
FNMA		30,786,514		
FFCB		13,253,717		
Other		5,926,939		
Subtotal US Agency	AAA	132,571,636	0.991	79.5%
Total		$ 166,732,120	0.903	100%

Concentration risk is the risk that when investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. 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 Oregon Revised Statute 294.810 to $42.8 million as of December 31, 2010.

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

(Note 5 – Cash and investments, continued)

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

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

Custodial credit risk for investments 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.

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

Cash and investments consisted of the following:

	Restricted Cash and Investments	Cash and Cash Equivalents and Short-term investments	Designated Funds	2010 Total Carrying Amount	2009 Total Carrying Amount
ELECTRIC SYSTEM					
Cash on hand	$ -	$ 12,500	$ -	$ 12,500	$ 11,500
Cash in bank	701,872	2,671,467	2,440,255	5,813,594	2,477,318
Investments in the State of Oregon local government investment pool	6,098,190	803,539	13,566,081	20,467,810	20,963,479
Investments - US Agencies	14,733,873	4,854,602	56,891,444	76,479,919	129,942,054
Total electric system	21,533,935	8,342,108	72,897,780	102,773,823	153,394,351
WATER SYSTEM					
Cash in bank	-	397,432	-	397,432	355,896
Investments in the State of Oregon local government investment pool	2,261,390	705,602	5,424,241	8,391,233	13,197,005
Investments - US Agencies	2,687,713	-	1,438,442	4,126,155	2,629,582
Total water system	4,949,103	1,103,034	6,862,683	12,914,820	16,182,483
	$ 26,483,038	$ 9,445,142	$ 79,760,463	$ 115,688,643	$ 169,576,834

Note 6 - Receivables

Significant receivables were as follows.

	2010		2009	
	Electric System	Water System	Electric System	Water System
Current receivables				
Accounts receivable	$ 29,957,088	$ 1,785,469	$ 30,292,237	$ 1,754,789
Allowance for doubtful accounts	(181,069)	(21,773)	(164,061)	(19,628)
Net accounts receivable	29,776,019	1,763,696	30,128,176	1,735,161
Conservation loans to customers	1,795,732	-	2,147,340	-
Interest receivable	516,452	20,338	778,028	-
Miscellaneous receivables	445,191	29,641	307,574	35,824
Note receivable (Bonneville Power Administration)	211,260	-	213,763	-
Reimbursement receivable - Harvest Wind	-	-	589,984	-
Receivables, less allowances	$ 32,744,654	$ 1,813,675	$ 34,164,865	$ 1,770,985
Long-term receivables				
Conservation loans to customers	$ 2,672,000		$ 3,090,119	
Note receivable (Bonneville Power Administration)	539,915		751,508	
Interest receivable (WGA)	821,022		600,108	
Long-term receivables, conservation and other	$ 4,032,937		$ 4,441,735	

Note 7 - Payables

Current payables were as follows.

	2010		2009	
	Electric System	Water System	Electric System	Water System
Accounts payable	$ 15,902,035	$ 837,638	$ 19,684,157	$ 568,865
Construction payables	3,745,160	204,378	3,538,702	397,246
Surplus revenue payments	1,412,117	-	1,300,348	-
Customer deposits	2,646,956	-	2,547,808	-
Miscellaneous payables	1,189,619	143,055	1,986,023	374,062
Preliminary investigations payables	717,065	-	285,663	-
Total payables	$ 25,612,952	$ 1,185,071	$ 29,342,701	$ 1,340,173

Note 8 – Short Term Borrowing (Line of Credit)

As of December 31, 2009, the Board had a taxable non-revolving junior lien line of credit at Bank of America with a maximum borrowing of $46.3 million for the Harvest Wind Project. During the term of the agreement, the Board borrowed at the LIBOR fixed or floating rate plus 1.20%, subject to a floor of 1.95%. At December 31, 2009, the Board had $43 million outstanding. The line of credit was fully retired in May 2010 with the execution of a junior lien credit facility (5 year loan) by Bank of America. (see Note 12).

Note 9 - Other deferred charges and other liabilities

Other deferred charges and other liabilities were as follows.

	2010		2009	
	Electric System	Water System	Electric System	Water System
Other deferred charges				
Unamortized bond expense	$ 2,828,814	$ 793,507	$ 3,021,719	$ 864,246
Joint-use equipment	90,418	66,196	100,686	43,299
Lease prepayment	-	-	-	203,474
Fair value of renewable energy certificates	1,172,284	-	1,361,073	-
Prepaid transmission expense - Harvest Wind	1,774,841	-	1,941,493	-
Unamortized organizational costs - Harvest Wind	163,549	-	163,549	-
Regulatory assets				
Sick leave - upon retirement	1,192,024	261,663	1,238,677	271,904
Net pension obligation - supplemental retirement plan	579,902	127,295	737,937	161,986
Accreted interest - capital appreciation bonds	3,614,342	-	3,128,439	-
Other deferred charges	$ 11,416,174	$ 1,248,661	$ 11,693,573	$ 1,544,909
Other liabilities				
Unearned rent revenue	$ 198,450	$ -	$ 396,897	$ -
Environmental clean up	254,000	-	254,000	-
Member deposits - Public Agency Network	246,672	-	217,872	-
Miscellaneous	-	-	14,245	-
Fair value of renewable energy certificates	1,172,284	-	1,361,073	-
Regulatory liabilities				
Sick leave - upon retirement	1,192,024	261,663	1,238,677	271,905
Net pension obligation - supplemental retirement plan	579,902	127,295	737,937	161,986
Other liabilities	$ 3,643,332	$ 388,958	$ 4,220,701	$ 433,891

Note 10 - Investment in WGA/deferred credit - WGA

The Board is a party to an Intergovernmental Agency, which is governed equally by the Board and Clatskanie PUD. 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 $15.1 million, 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 ($10.4 million was repaid in 2006). The balance of the original investment at December 31, 2006 was $2.2 million, and it remained the same at the end of 2010. Repayment of the equity investment is not due until the Agency's Series C 2006 debt is paid off, and as 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, 2010, the Board had a receivable in the amount of $821,000 ($600,000 at December 31, 2009) 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, 2010 was a negative balance of $433,000 ($756,000 million at December 31, 2009) 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 2010 distributions of $373,000 were received (and $400,000 was received in 2009).

The Board is committed, through a power purchase agreement, to purchase the output from the Project through the year 2021. The Board has agreed to suspend its agreement with the Agency in favor of a separate purchase power agreement between the Agency and BPA through the year 2016. Financial information for the Project is included in the financial statements of the Agency and may be obtained from the Agency's trustee, Wells Fargo Bank.

Note 11 - Investment in Harvest Wind

The Board is a party to a Joint Ownership Agreement (JOA), whereby the Board made an equity investment in the Harvest Wind Project (the Project) a 98.9 megawatt wind generating facility located in Klickitat County, WA. The Board's ownership share of Harvest Wind is 20%. Other owners are Peninsula Light Co., 20%, Cowlitz PUD, 30%, and Lakeview Light & Power, also 30%.

During 2009, the joint owners of Harvest Wind elected to classify the Project as an association taxable as a corporation. At the time of the election, all project assets were treated as contributed to the corporation. The corporation received a 4% share, and the joint owners received shares in proportion to

their ownership. Owners share in power output, income and expenses according to their ownership shares.

The investment in Harvest Wind consists of the Board's share of the costs to develop the Project, 20% of the Project's net income and losses, and any preferred distributions. No distributions were received in 2009. Commercial operations began on December 15, 2009.

At December 31, 2010, the Board recognized investment in Harvest Wind of $29.0 million ($41.6 at December 31, 2009) including estimated income of $64,000 (loss of $95,000 in 2009) and distributions of $12,956,000.

The Board is committed, through an energy purchase agreement, to purchase its share of the output from the Project, and pay its share of project expenses through the year 2029. Additionally, the Board is committed, through a transmission service agreement and a transmission payment agreement, to subsidize the initial construction of transmission lines, deposit funds to ensure contract performance, and purchase transmission from the owner of the transmission lines through the year 2029.

Under the terms of a payment agreement, the Board has deposited $1,340,000 from 2010 distributions in an escrow account to ensure payment of its share of contingent liabilities of the corporation. If no such contingencies occur, the funds will be released from escrow.

Under the terms of a transmission agreement, the Board has deposited $891,000 in an escrow account to ensure the payment of monthly transmission interconnection expenses.

Financial information for the Project is included in the financial statements of the Project and may be obtained from the Board.

Note 12 - Long-term debt

Long-term portion of bonds & notes payable was as follows.

	2010	2009
Electric Utility System Revenue and Refunding Bonds		
1997 Series, 10-1-97 issue, Serial Bonds 4.80% - 5.00%, due 2010-2011	$ -	$ 1,420,000
1998 Series A, 11-15-98 issue		
Term Bonds, 6.22% - 6.85%, due 2010-2023	8,295,000	8,745,000
2001 Series A, 11-15-01 issue		
Term Bonds, 6.32%, due 2010-2022	23,065,000	23,855,000
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 2010-2022	14,245,000	15,205,000
Term bonds, 5.00%, due 2023-2031	19,140,000	19,140,000
2002 Series A, 5-7-02 issue		
Serial Bonds 5.25%, due 2010-2011	-	1,670,000
2002 Series B, 6-1-02 issue		
Serial bonds5.70% - 5.90%, due 2010-2012	1,495,000	2,910,000
2002 Series C, 6-1-02 issue		
Serial Bonds 3.90% - 5.00%, due 2010-2022	8,290,000	8,865,000
2003 Series, 6-10-03 issue		
Serial Bonds 3.00% - 5.00%, due 2010-2023	30,265,000	32,215,000
2005 Series, 5-10-05 issue		
Serial Bonds, 3.75% - 5.0%, due 2010-2020	4,735,000	5,155,000
Term bonds, 4.50%, due 2021 & 2025	3,530,000	3,530,000
2006 Series, 8-24-06 issue		
Serial Bonds 4.00% - 4.50%, due 2010-2026	10,605,000	11,095,000
2008 Series, Revenue, 7-17-08 issue		
Serial bonds 4.00% - 5.00%, due 2010-2028	33,495,000	34,860,000
Term bonds, 5.00%, due 2029-2033	15,995,000	15,995,000
2008 Series, Revenue Refunding, 7-17-08 issue		
Serial Bonds 4.00% - 5.00%, due 2010-2022	28,945,000	29,785,000
	206,167,556	218,512,556
Add unamortized premium	3,245,402	3,671,357
Add accreted interest	3,614,342	3,128,439
Less unamortized refunding costs	(1,030,853)	(1,197,470)
Less unamortized discount	(194,222)	(228,077)
Electric System bonds payable	$ 211,802,225	$ 223,886,805
Junior lien note payable to Bank of America, Harvest Wind Project	32,314,737	-
Electric System long term debt	$ 244,116,962	$ 223,886,805

	2010	2009
Water Utility System Revenue and Refunding Bonds		
2002 Series, 8-1-02 issue, Serial Bonds 3.25% - 4.70%, due 2010-2022	$ 7,550,000	$ 8,075,000
2005 Series, 8-16-05 issue		
Serial Bonds, 3.50% - 5.00%, due 2011-2025	7,945,000	8,360,000
Term bonds, 4.35%, due 2030	4,180,000	4,180,000
2008 Series, 7-17-08 issue		
Serial Bonds, 4.00% - 5.00%, due 2010-2026	6,045,000	6,330,000
Term bonds, 4.50% - 5.25%, due 2027-2038	8,755,000	8,755,000
	34,475,000	35,700,000
Add unamortized premium	173,069	185,998
Less unamortized discount	(113,249)	(125,227)
Less unamortized refunding costs	(1,097,880)	(1,185,675)
Water System long-term debt	33,436,940	34,575,096
Note payable - Electric		
11-15-01 issue, 6.32% - 7.21%, due 2010-2027	3,247,334	3,454,611
Water System long-term debt and note payable	36,684,274	38,029,707
Less inter-system note payable	3,247,334	3,454,611
Total Systems long-term debt	$ 277,553,902	$ 258,461,901

The carrying amount and fair value of current and long-term debt was as follows:

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Electric System	$ 257,542,628	$ 266,644,475	$ 235,496,805	$ 244,735,380
Water System	34,661,940	36,489,131	35,870,096	38,880,359
Total bonds and notes payable	$ 292,204,568	$ 303,133,606	$ 271,366,901	$ 283,615,739

(Note 12 - Long-term debt, continued)

The schedule of maturities for principal and interest on bonded debt and note payable is as follows:

	Electric System		Water System	
	Principal	Interest	Principal	Interest
2011	$ 13,425,667	$ 12,465,094	$ 1,225,000	$ 1,589,409
2012	11,027,386	11,824,712	1,270,000	1,543,159
2013	10,176,582	11,310,826	1,325,000	1,494,396
2014	11,293,371	10,813,497	1,375,000	1,442,641
2015	39,507,398	9,568,564	1,430,000	1,387,191
2016-2020	68,420,000	35,002,578	8,190,000	5,936,649
2021-2025	57,961,437	25,939,145	7,415,000	4,082,008
2026-2030	27,471,119	14,673,406	7,105,000	2,613,150
2031-2035	12,625,000	1,150,750	3,670,000	1,299,639
2036-2038	-	-	2,695,000	287,699
	$ 251,907,959	$ 132,748,572	$ 35,700,000	$ 21,675,941

The resolutions authorizing the issuance of revenue bonds contain various covenants, sinking fund requirements and obligations with which the Board must comply. The principal and interest requirements are reflected in the supplementary schedule "Long-Term Bonded Debt and Interest Payment Requirements." To comply with sinking fund deposit requirements, the Board deposits monthly one-twelfth of the annual deposit requirement with the trustee, less accumulated interest. The interest payments are made semi-annually on February 1 and August 1, and principal payments on August 1. At December 31, 2010 and 2009, no assets were pledged as security for the outstanding bonds of the Electric and Water Systems.

As of December 31, 2009, the amount of defeased debt still outstanding but removed from the Board's long-term debt amounted to $19.5 million for the Water System. As of August 31, 2010, the defeased debt was paid in full to the bond holders.

In May 2010 the Board secured a $34,000,000 junior lien credit facility with Bank of America in the form of a five year loan (due May 20, 2015) requiring semi-annual payments of principal and interest at an annual interest rate of 4.73%. The loan paid off the balance of the outstanding line of credit with Bank of American secured to provide preliminary financing for EWEB's share of the Harvest Wind Project, and provided additional funding for completion of the Project.

Long-term debt activity for the year ended was as follows:

	Outstanding January 1, 2010	Issued During Year	Redeemed During Year	Outstanding December 31, 2010
Electric Revenue Bonds, with interest rates from 3.0% to 6.85%, maturing through 2033 (original issue $267,005,000)	$ 121,510,000	$ -	(4,875,000)	$ 116,635,000
Electric Revenue Refunding Bonds, with interest rates from 2.0% to 5.25%, maturing through 2022 (original issue $158,245,000)	80,045,000	-	(6,090,000)	73,955,000
Electric Revenue Current Interest Bonds, with interest rate of 6.32%, maturing through 2027 (original issue $29,997,556)	28,567,556	-	(645,000)	27,922,556
Electric Note Payable, with interest rate of 4.73%, maturing in 2015 (original issue $34,000,000)	-	34,000,000	(604,597)	33,395,403
Total Electric System	230,122,556	34,000,000	(12,214,597)	251,907,959
Water Revenue Refunding Bonds, with interest rates from 3.5% to 5.0%, maturing through 2030 (original issue $19,155,000)	12,540,000	-	-	12,540,000
Water Revenue Bonds, with interest rates from 2.75% to 5.30%, maturing through 2038 (original issue $47,000,000)	24,455,000	-	(1,295,000)	23,160,000
Total Water System	36,995,000	-	(1,295,000)	35,700,000
Total Long Term debt	$ 267,117,556	$ 34,000,000	$ (13,509,597)	$ 287,607,959

Note 13 - Roosevelt Operations Center lease

The Electric System has financed the acquisition and construction of the Board's Roosevelt Operations Center consisting of land, buildings, equipment and personal property placed into service November, 2010. Both the Electric and Water Systems occupy the property. A direct financing lease beginning November 1, 2010 represents the economic substance of an arrangement whereby the Water System will repay Electric for the cost to create what is determined to be the Water System's share of the property and also assume all of the economic benefits and risks of ownership. Future minimum lease payments of $1,128,000 each year, over a period of 25 years, is estimated to cover the fair value of the Water System's share of the property, which was approximately $17.4 million, and associated financing costs incurred by the Electric System without gain to the Electric System. The transaction was recorded in equal amounts as Plant in Service and a Capital Lease Obligation for the Water System along with depreciation expense and a Lease Receivable for the Electric System.

Note 14 - 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. A new contract was signed on December 4, 2008 that provides power to EWEB from October 1, 2011 through September 30, 2028. The Board selected a combination of both "Block" and "Slice of System" power products from those offered by Bonneville. Each component provides attributes that add different kinds of flexibility to the Board's power portfolio. The "Block" product provides a fixed quantity of power to EWEB that varies according to a monthly annual schedule and adjustments for conservation. Block deliveries were approximately 118 aMW in 2010 and 2009. Under the new contract, Block deliveries will drop to 112 aMW annually.

  The "Slice" product consists of a 2.4% Slice share of Bonneville's Federal Base System generation. Under the new contract, the Board's share will be 1.86%. The annual share remains fixed and will not be adjusted to reflect increases or decreases in a customer's net requirements or individual resources during the term of the contract. The Board's percentage share also will not be adjusted to reflect increases or decreases in the output of the Slice System. However, the amount of actual power received under the Slice Product contract will vary with the performance of the federal based system. In years of heavy water flow, the Board may have rights to power that may be in excess of their needs, and in poor water years the Board would need to augment its share of Slice output with their own generation or market purchases. In December of 2008, the Board entered into agreements with Bonneville for Block and Slice running from October 1, 2011 through September 30, 2028. The amount of power the Board will be entitled to under these contracts will be determined based on the Board's actual load during the period between October 1, 2009 and September 30, 2010, with some adjustments specified in Bonneville's Tiered Rate Methodology.

- **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 September 20, 2028.

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 the Carmen Power House with two generating units with a nameplate capacity of 52 MW each. The Carmen-Smith Project also includes the Trail Bridge re-regulating facility, with an additional generating unit with a nameplate capacity of 10 MW. The operating license for the Carmen-Smith Project expired on November 30, 2008. The Board submitted an application to relicense the facility to FERC on November 30, 2006. The Board received, and will continue to receive, an annual operating license from FERC until a decision is made regarding a new license. In October of 2008, the Board entered into a settlement agreement with sixteen interested governmental, tribal and non-governmental parties, and submitted an Offer of Settlement to FERC to supplement the license application. The Settlement Agreement provides recommendations for measures that address the resources affected by the continued operation of the Project. The current FERC timeline projects that a final license for the Carmen-Smith Project will be issued in 2011.

- **International Paper Industrial Energy Center Cogeneration Project**
  The Board and International Paper Company jointly operate a cogeneration facility at the International Paper Springfield plant. The unit, which has a nameplate capacity of 40 MW (average output is approximately 20 MW), is owned by the Board, with International Paper providing operation and fuel. Under terms of the current agreement (which expires in 2015), the project costs and output for this unit are shared equally by the parties.

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

- **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

(Note 14 –Power Supply Resources, continued)

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 38.3 MW. In April 2001, the Board took ownership of the project, which is licensed through 2037.

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

- **Harvest Wind Project**
  The Board, Cowlitz Public Utility District, Lakeview Light and Power, and Peninsula Light Company are the joint owners of the Harvest Wind Project, with the Board having a 20% ownership share. The project has a nameplate capacity of 98.9 megawatts and is located in Klickitat County, Washington. All project assets are held by a corporation formed by the owners. The Board and other owners have committed to purchase power from the corporation in proportion to their ownership shares through December, 2029.

Contract Resources

- **Priest Rapids and Wanapum Hydroelectric Projects**
  Historically, the Board had contracts with Public Utility District No. 2 of Grant County, Washington (Grant County PUD) for a percentage share of the output of the Priest Rapids Project and the Wanapum Project, two large hydroelectric projects on the Columbia River in Washington. 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. Starting October 1, 2011, the Board will no longer purchase significant amounts of power from Grant County PUD, however, the Board's entitlement from Bonneville will be adjusted to compensate for the decrease in resources.

- **Stateline Wind Project**
  In 2002, the Board agreed to purchase 25 MW from Phase 1 of the Stateline Wind Project

located in Walla Walla County, Washington and Umatilla County, Oregon. The contract for this power expires on December 31, 2026.

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

- **Seneca Sustainable Energy**
  On February 25, 2010 EWEB entered a Renewable Power Purchase Agreement with Seneca Sustainable Energy LLC (SSE) to purchase the output of the proposed biomass fueled electric cogeneration facility located in Eugene, Oregon. The project is currently under construction, will connect directly with EWEB's distribution system, and has a forecast commercial operation date of March 1, 2011. The contract term is for 15 years commencing on the commercial date. Nameplate capacity is 19.877 MW. Expected output is approximately 18 aMW.

- **Solar PV Purchases**
  EWEB has a program to support the development of Solar PV generation in Eugene through the provision of net metering rates to those customers with small systems that wish to self-generate power and standard offers for 10 year power purchases at fixed rates for customers with larger system. Program participation is limited to systems under 1 MW. As of the close of 2010 EWEB has acquired contracts with total capacity slightly over 2 MW and 0.22 aMW of energy.

Note 15 - Retirement benefits

1. Pension Plan

Plan Description
The Board participates in the Oregon Public Employees Retirement System (OPERS) and Oregon Public Service Retirement Plan (OPSRP). The pension plan is an agent multiple-employer defined benefit and a defined contribution plan that provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to general service and public safety employees of the state and a majority of local government employees and/or their beneficiaries. The OPERS Board administers both plans, which are established under Oregon Revised Statutes, and acts as a common investment and administrative agent for public employers in the State of Oregon.

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

(Note 15 - Retirement benefits, continued)

(Annual pension cost, continued)

comprehensive annual report that includes both pension plans, which may be obtained by writing to PERS.

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

In November of 2006, the Board elected to make a lump-sum payment to OPERS of $7.2 million which lowered the employer contribution rate and OPERS allocated to a "side account" which is tracked separately for rate purposes. The Board's current employer contribution rate is 15.85% and 17.76% for OPERS and OPSRP, respectively. On July 1, 2011 contribution rates will increase to 23.38% and 22.96% for OPERS and OPSRP, respectively. In December 2001, the Board elected to make a lump-sum payment of approximately $29.6 million, which had the effect of lowering the employer contribution rate. The lump-sum payment is recorded as an Other Asset and is being amortized over the funding period of 26 years. The amortization was $1.2 million for 2010 and 2009.

Annual Pension Cost
Because all participating employers are required by law to submit the contributions as adopted by the Retirement Board, and because employer contributions are currently calculated in conformance with the parameters of GASB No. 27, *Accounting for Pensions by State and Local Government Employers*, there is no net pension obligation to report, and annual required contributions are equal to the annual pension cost. The Board's annual pension cost of $8.7 million for OPERS was equal to the Board's required and actual contributions.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/08	$ 9,522,000	100%	$0
12/31/09	$ 9,337,000	100%	$0
12/31/10	$ 8,703,000	100%	$0

The required contribution was determined as part of the December 31, 2007, actuarial valuation using the projected unit credit method. The actuarial assumptions as of the valuation December 31, 2009 included (a) 8% investment rate of return (b) projected salary increases of 3.75% per year, and (c) 2% per year for cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the assets was determined by the market value of assets. The unfunded actuarial

accrued liability is being amortized as a level percentage of combined valuation payroll over a closed period. For the OPERS UAL, this period is 20 years; for retiree healthcare, it is 10 years.

Funding Status and Funding Progress
As of December 31, 2009, the most recent actuarial valuation date, the plan was 72% funded. The actuarial accrued liability for benefits was $290 million, and the actuarial value of assets was $209 million, resulting in an unfunded actuarial accrued liability (UAAL) of $81 million. The covered payroll (annual payroll of active employees covered by the plan) was $37.8 million, and the ratio of the UAAL to the covered payroll was 216%.

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/07	$ 257,453,956	$ 278,160,157	$ 20,706,201	93%	$ 34,788,039	60%
12/31/08	$ 188,893,782	$ 281,553,582	$ 92,659,800	67%	$ 35,686,738	260%
12/31/09	$ 208,718,948	$ 290,442,448	$ 81,723,500	72%	$ 37,857,319	216%

2. The Supplemental Retirement Plan

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

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

Annual Pension Cost
Employer contributions are calculated and made in conformity with the parameters of GASB No. 27. The Board's annual pension cost is based upon its latest actuarial report, dated January 1, 2010, with the next actuarial valuation for the year ended December 31, 2011 scheduled to be completed during 2012.

The Board's pension liability and the annual required contribution rate were determined as part of the January 1, 2010 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.

(Note 15 - Retirement benefits, continued)

(Annual pension cost, continued)

The actuarial assumptions include a rate of return on investment of present and future assets of 6.25% 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:

Annual required contribution (ARC)	$	306,904
Interest on net pension obligation		56,245
Adjustment to ARC		(111,875)
Annual pension cost		251,274
Contributions made		444,000
Increase (decrease) in net pension obligation		(192,726)
Net pension obligation as of 1/1/09		899,923
Net pension obligation as of 12/31/09	$	707,197

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/07	$ 272,544	120%	$ 992,976
12/31/08	$ 266,947	135%	$ 899,923
12/31/09	$ 251,274	177%	$ 707,197

Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was 3% funded. The actuarial accrued liability for benefits was $2,181,000, and the actuarial value of assets was $65,000, resulting in an unfunded actuarial accrued liability (UAAL) of $2,116,000. The Board has designated funds of $2 million to fund the supplemental retirement plan. Since the pension plan is a closed plan and funds are designated to fund remaining UAAL, the Board continues to fund the plan on a pay-as-you-go basis of approximately $444,000 a year. The actuarial value of assets represents the market value of investments using recognized pricing services.

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
1/1/08	$ 112,200	$ 2,500,363	$ 2,388,163	4.5%
1/1/09	$ 161,317	$ 2,393,643	$ 2,232,326	6.7%
1/1/10	$ 64,826	$ 2,181,270	$ 2,116,444	3.0%

3. Post Employment Benefits Plan Other than Pensions

Plan Description

In addition to pension benefits, the Board provides post employment health care and life insurance benefits to all employees who retire under OPERS or OPSRP with at least 11 years of service. It is a single-employer defined benefit plan. Currently, 437 retirees or surviving spouses of retired employees and 539 active employees are covered under the plan. The life insurance benefit is a fixed amount of $5,000 per retiree. Health care coverage reimburses 80% of the amount of validated claims for certain medical, dental, vision and hospitalization costs. In 2007 the Board created the Eugene Water & Electric Board Retirement Benefits Trust for other post employment benefits (OPEB) other than pensions. The OPEB trust issues a publicly available set of audited financial statements that can be obtained by writing to the Board.

Funding Policy

The contribution requirements of plan participants are established by the Board and may be amended from time to time. Contributions by the plan participants are based on either a flat rate or a percentage of the premium cost and vary by participant according to years of service, year of retirement, age, and/or plan coverage. In December of 2007, the Board deposited $8.2 million into the OPEB trust to begin funding the trust. It is the Board's intent to pay the actuarially determined OPEB cost annually to the trust. In 2010 the Board contributed $2.9 million into the plan.

Annual OPEB Cost

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

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

Other actuarial assumptions include a rate of return on investments of present and future assets of 7% and 9.5% annual rate increase in the per capita cost of covered health care benefits for 2010. The health care benefit rate is assumed to decrease gradually to 6% in the year 2017 and remain level thereafter. The salary scale assumption is 4.5% and the payroll growth rate is 4%.

(Note 15 - Retirement benefits, continued)

(Annual OPEB cost, continued)

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.

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the preceding years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/08	$ 2,848,678	100%	$0
12/31/09	$ 2,935,311	100%	$0
12/31/10	$ 2,942,862	100%	$0

Funding Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was 25% funded. The actuarial accrued liability for benefits was $38.4 million, and the actuarial value of assets was $9.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of $28.7 million.

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/08	$ 8,243,372	$ 34,051,732	$ 25,808,360	24%	$ 34,788,039	74%
1/1/09	$ 7,727,719	$ 35,224,929	$ 27,497,210	22%	$ 35,686,738	77%
1/1/10	$ 9,767,736	$ 38,459,621	$ 28,691,885	25%	$ 37,857,319	76%

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

Note 16 - 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 17 - 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.

(Note 17 - Trojan nuclear plant, continued)

A summary of the balance sheets for EWEB's share of the Trojan Project as of September 30, 2010 and December 31, 2009 is as follows. For 2010, the liability for decommissioning costs is preliminary as any revisions to the liability (changes in the original estimate or projected timing of cash flows) that may have occurred during 2010 are determined by the Project's operator, PGE, and were not available at the date of this report.

	Unaudited September 30, 2010	Unaudited December 31, 2009
Assets		
Current assets	$ 1,522,451	$ 2,537,472
Long-term receivable, BPA, net	43,131,472	42,162,119
Total assets	**$ 44,653,923**	**$ 44,699,591**
Liabilities		
Current liabilities	$ 1,235,036	$ 1,128,454
Accumulated provision for decommissioning costs	43,418,887	43,571,137
Total liabilitites	**$ 44,653,923**	**$ 44,699,591**

The Trojan Nuclear Plant financial statements can be obtained from the Board.

Note 18 - Commitments and contingencies

Electric Projects

- **Construction and improvements**
  Commitments, primarily for substation and transmission construction, were $5.1 million at December 31, 2010 and $7.7 million at December 31, 2009.

- **Carmen-Smith Relicensing**
  Commitments for preconstruction costs to relicense the Carmen Smith Project were $9 million for engineering services and environmental services ($11.2 million at December 31, 2009 for engineering services and preconstruction road, bridge and communications improvements).

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

Roosevelt Operations Center
Contractual commitments for final construction, architectural services, and environmental monitoring were $1 million at December 31, 2010 ($49.7 million at December 31, 2009).

Water Projects
Contractual commitments for filter upgrades at the Hayden Bridge filtration plant were $1.3 million at December 31, 2010, and $1.0 million at December 31, 2009 for reservoir and pump station improvements.

Self-Insurance
The Board is exposed to various risks of loss because of the Board's self-insurance retention, up to the first $1,000,000 of exposure, per occurrence. Excess liability coverage protects the Board after the Board's self-insured limit is exhausted. However, public entities are also protected under State of Oregon tort limits ORS 30.260 – 30.300, which reduces the liability to any single claimant to $500,000 or $533,300 for causes of action arising between July 1, 2010 and June 30, 2011. Consequently, except in extreme cases, the Board's exposure is mitigated by law. The limit is subject to change by State of Oregon legislation.

Claims liabilities recorded in the basic financial statements are based on the estimated ultimate loss as of the balance sheet date, adjusted from current trends through a case-by-case review of all claims, including incurred but not reported claims. Non-incremental claims adjustment costs such as salaries are not included in the claims estimates. At December 31, 2010, a total claims liability of approximately $368,000 is reported in the basic financial statements. All prior and current-year claim liabilities were 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
2008	General liability	$ 390,496	$ 650,615	$ (92,111)	$ 949,000
2009	General liability	$ 949,000	$ 150,262	$ (176,262)	$ 923,000
2010	General liability	$ 923,000	$ (107,119)	$ (447,816)	$ 368,065

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, 2010.

Supplemental Information

ELECTRIC SYSTEM
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2010

	Refunding Revenue Bonds 1997 Series 11-4-97		Revenue Bonds 1998 Series A 11-15-98		2001A Series Curent Interest 11-15-01	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 1,420,000	$ 71,000	$ 450,000	$ 586,653	$ 790,000	$ 1,507,636
2012	-	-	475,000	558,663	950,000	1,457,708
2013	-	-	505,000	529,118	1,125,000	1,397,668
2014	-	-	535,000	497,707	1,310,000	1,326,568
2015	-	-	570,000	464,430	1,520,000	1,243,776
2016	-	-	610,000	425,385	1,745,000	1,147,712
2017	-	-	650,000	383,600	1,990,000	1,037,428
2018	-	-	695,000	339,075	2,255,000	911,660
2019	-	-	740,000	291,468	2,545,000	769,144
2020	-	-	795,000	240,778	2,860,000	608,300
2021	-	-	850,000	186,320	3,200,000	427,548
2022	-	-	905,000	128,095	3,565,000	225,308
2023	-	-	965,000	66,099	867,106	3,097,894
2024	-	-	-	-	839,611	3,305,389
2025	-	-	-	-	814,720	3,520,280
2026	-	-	-	-	789,579	3,740,421
2027	-	-	-	-	756,540	3,913,460
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
	1,420,000	71,000	8,745,000	4,697,391	27,922,556	29,637,900
Less current	1,420,000	-	450,000	-	790,000	-
	$ -	$ 71,000	$ 8,295,000	$ 4,697,391	$ 27,132,556	$ 29,637,900

ELECTRIC SYSTEM
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2010

	Revenue Bonds 2001 B Series 11-15-01		Refunding Revenue Bonds 2002 A Series 5-7-02		Revenue Bonds 2002 B Series 5-22-02	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 960,000	$ 1,730,763	$ 1,670,000	$ 87,675	$ 1,415,000	$ 171,336
2012	1,000,000	1,692,363	-	-	1,495,000	88,205
2013	1,040,000	1,652,363	-	-	-	-
2014	1,095,000	1,597,763	-	-	-	-
2015	1,155,000	1,540,275	-	-	-	-
2016	1,215,000	1,479,638	-	-	-	-
2017	1,275,000	1,415,850	-	-	-	-
2018	1,345,000	1,348,913	-	-	-	-
2019	1,415,000	1,278,300	-	-	-	-
2020	1,490,000	1,204,013	-	-	-	-
2021	1,565,000	1,125,788	-	-	-	-
2022	1,650,000	1,043,625	-	-	-	-
2023	1,735,000	957,000	-	-	-	-
2024	1,825,000	870,250	-	-	-	-
2025	1,915,000	779,000	-	-	-	-
2026	2,010,000	683,250	-	-	-	-
2027	2,110,000	582,750	-	-	-	-
2028	2,215,000	477,250	-	-	-	-
2029	2,325,000	366,500	-	-	-	-
2030	2,440,000	250,250	-	-	-	-
2031	2,565,000	128,250	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
	34,345,000	22,204,154	1,670,000	87,675	2,910,000	259,541
Less Current	960,000	-	1,670,000	-	1,415,000	-
	$ 33,385,000	$ 22,204,154	$ -	$ 87,675	$ 1,495,000	$ 259,541

ELECTRIC SYSTEM
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2010

	Revenue and Refunding 2002 C Series 5-22-02		Revenue and Refunding 2003 Series 6-10-03		Revenue 2005 Series 05-10-05	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 575,000	$ 420,994	$ 1,950,000	$ 1,537,387	$ 420,000	$ 384,100
2012	600,000	396,556	2,035,000	1,459,388	440,000	366,250
2013	620,000	370,756	2,125,000	1,377,987	460,000	347,550
2014	650,000	343,476	2,200,000	1,292,988	480,000	326,850
2015	680,000	314,226	2,315,000	1,182,987	500,000	305,250
2016	710,000	282,776	2,435,000	1,067,238	525,000	282,750
2017	740,000	249,051	2,565,000	945,487	550,000	256,500
2018	775,000	213,531	2,695,000	817,238	570,000	234,500
2019	815,000	175,750	2,835,000	682,487	595,000	210,275
2020	855,000	135,000	2,985,000	540,738	615,000	184,988
2021	900,000	92,250	3,140,000	391,487	645,000	158,850
2022	945,000	47,250	3,300,000	234,488	675,000	129,825
2023	-	-	1,635,000	69,488	705,000	99,450
2024	-	-	-	-	735,000	67,725
2025	-	-	-	-	770,000	34,650
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
	8,865,000	3,041,616	32,215,000	11,599,388	8,685,000	3,389,513
Less Current	575,000	-	1,950,000	-	420,000	-
	$ 8,290,000	$ 3,041,616	$ 30,265,000	$ 11,599,388	$ 8,265,000	$ 3,389,513

ELECTRIC SYSTEM
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2010

	Revenue 2006 Series 08-24-06		Revenue 2008 Series 7/17/08		Refunding 2008 Series 7/17/08		Total Electric System Payments		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Totals
2011	$ 490,000	$ 462,851	$ 1,365,000	$ 2,466,575	$ 840,000	$ 1,471,150	$ 12,345,000	$ 10,898,120	$ 23,243,120
2012	510,000	440,801	1,420,000	2,411,975	970,000	1,437,550	9,895,000	10,309,459	20,204,459
2013	530,000	420,401	1,470,000	2,355,175	1,115,000	1,398,750	8,990,000	9,849,768	18,839,768
2014	550,000	399,201	1,540,000	2,281,675	1,690,000	1,343,000	10,050,000	9,409,228	19,459,228
2015	575,000	374,451	1,490,000	2,204,675	1,950,000	1,258,500	10,755,000	8,888,570	19,643,570
2016	600,000	348,576	1,565,000	2,130,175	2,235,000	1,161,000	11,640,000	8,325,250	19,965,250
2017	625,000	324,576	1,645,000	2,051,925	2,550,000	1,049,250	12,590,000	7,713,667	20,303,667
2018	655,000	299,576	1,725,000	1,969,675	2,895,000	921,750	13,610,000	7,055,918	20,665,918
2019	690,000	273,376	1,810,000	1,883,425	3,260,000	777,000	14,705,000	6,341,225	21,046,225
2020	720,000	245,776	1,905,000	1,792,925	3,650,000	614,000	15,875,000	5,566,518	21,441,518
2021	760,000	216,076	2,000,000	1,697,675	4,085,000	431,500	17,145,000	4,727,494	21,872,494
2022	795,000	184,726	2,095,000	1,597,675	4,545,000	227,250	18,475,000	3,818,242	22,293,242
2023	835,000	151,933	2,200,000	1,492,925	-	-	8,942,106	5,934,789	14,876,895
2024	875,000	116,863	2,300,000	1,393,925	-	-	6,574,611	5,754,152	12,328,763
2025	920,000	80,113	2,405,000	1,290,425	-	-	6,824,720	5,704,468	12,529,188
2026	965,000	41,013	2,520,000	1,176,188	-	-	6,284,579	5,640,872	11,925,451
2027	-	-	2,640,000	1,056,486	-	-	5,506,540	5,552,696	11,059,236
2028	-	-	2,765,000	931,088	-	-	4,980,000	1,408,338	6,388,338
2029	-	-	2,895,000	799,750	-	-	5,220,000	1,166,250	6,386,250
2030	-	-	3,040,000	655,000	-	-	5,480,000	905,250	6,385,250
2031	-	-	3,190,000	503,000	-	-	5,755,000	631,250	6,386,250
2032	-	-	3,350,000	343,500	-	-	3,350,000	343,500	3,693,500
2033	-	-	3,520,000	176,000	-	-	3,520,000	176,000	3,696,000
	11,095,000	4,380,309	50,855,000	34,661,837	29,785,000	12,090,700	218,512,556	126,121,024	344,633,580
Less Current	490,000	-	1,365,000	-	840,000	-	12,345,000	-	12,345,000
	$ 10,605,000	$ 4,380,309	$ 49,490,000	$ 34,661,837	$ 28,945,000	$ 12,090,700	$ 206,167,556	$ 126,121,024	$ 332,288,580

WATER SYSTEM
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2010

	Revenue Bonds 2002 Series 7-16-02		Revenue Bonds Refunding 2005 Series 7-26-05	
	Principal	Interest	Principal	Interest
2011	$ 525,000	$ 345,164	$ 415,000	$ 532,455
2012	545,000	326,264	430,000	517,930
2013	570,000	305,826	445,000	502,880
2014	595,000	283,596	460,000	487,305
2015	620,000	259,796	475,000	470,055
2016	645,000	234,221	500,000	451,055
2017	675,000	206,809	520,000	426,055
2018	710,000	178,121	545,000	400,055
2019	740,000	147,059	570,000	372,805
2020	780,000	113,759	600,000	344,305
2021	815,000	77,879	630,000	320,305
2022	855,000	40,185	655,000	295,105
2023	-	-	675,000	268,905
2024	-	-	705,000	241,230
2025	-	-	735,000	212,149
2026	-	-	765,000	181,830
2027	-	-	800,000	148,552
2028	-	-	835,000	113,753
2029	-	-	870,000	77,430
2030	-	-	910,000	39,585
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
	8,075,000	2,518,679	12,540,000	6,403,744
Less current	525,000	-	415,000	-
	$ 7,550,000	$ 2,518,679	$ 12,125,000	$ 6,403,744

WATER SYSTEM
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2010

	Revenue Bonds 2008 Series 7/17/08		Total Water System Payments		
	Principal	Interest	Principal	Interest	Totals
2011	$ 285,000	$ 711,790	$ 1,225,000	$ 1,589,409	$ 2,814,409
2012	295,000	698,965	1,270,000	1,543,159	2,813,159
2013	310,000	685,690	1,325,000	1,494,396	2,819,396
2014	320,000	671,740	1,375,000	1,442,641	2,817,641
2015	335,000	657,340	1,430,000	1,387,191	2,817,191
2016	350,000	642,600	1,495,000	1,327,876	2,822,876
2017	365,000	627,550	1,560,000	1,260,414	2,820,414
2018	380,000	612,950	1,635,000	1,191,126	2,826,126
2019	395,000	597,750	1,705,000	1,117,614	2,822,614
2020	415,000	581,555	1,795,000	1,039,619	2,834,619
2021	430,000	564,125	1,875,000	962,309	2,837,309
2022	450,000	545,850	1,960,000	881,140	2,841,140
2023	465,000	526,725	1,140,000	795,630	1,935,630
2024	490,000	505,800	1,195,000	747,030	1,942,030
2025	510,000	483,750	1,245,000	695,899	1,940,899
2026	535,000	460,800	1,300,000	642,630	1,942,630
2027	560,000	436,725	1,360,000	585,277	1,945,277
2028	585,000	411,525	1,420,000	525,278	1,945,278
2029	610,000	385,200	1,480,000	462,630	1,942,630
2030	635,000	357,750	1,545,000	397,335	1,942,335
2031	665,000	329,175	665,000	329,175	994,175
2032	695,000	299,250	695,000	299,250	994,250
2033	730,000	262,763	730,000	262,763	992,763
2034	770,000	224,438	770,000	224,438	994,438
2035	810,000	184,013	810,000	184,013	994,013
2036	855,000	141,488	855,000	141,488	996,488
2037	895,000	96,600	895,000	96,600	991,600
2038	945,000	49,611	945,000	49,611	994,611
	15,085,000	12,753,518	35,700,000	21,675,941	57,375,941
Less current	285,000	-	1,225,000	-	1,225,000
	$ 14,800,000	$ 12,753,518	$ 34,475,000	$ 21,675,941	$ 56,150,941

ELECTRIC SYSTEM
Analysis of certain restricted cash and investments for debt service
Year ended December 31, 2010

	Bond Funds					
	Interest Accounts	Principal Accounts	Debt Service Reserve	Construction Funds	Customer Deposit Reserve	Total All Funds
Ending balance - December 31, 2009	$ 4,764,721	$ 4,841,625	$ 2,802,922	$ 34,773,681	$ 2,545,724	$ 49,728,673
Proceeds from Bank Note	-	-	-	34,000,000	-	34,000,000
Escrow Holdings	-	-	-	-	3,730,877	3,730,877
Deposits from general fund	11,204,589	11,904,066	-	10,660,000	699,567	34,468,222
Interest earnings	2,782	10,386	5,015	282,867	14,189	315,239
Other transfers	-	-	-	-	63,588	63,588
Receipts	11,207,371	11,914,452	5,015	44,942,867	4,508,221	72,577,926
Principal payments	-	11,610,000	-	43,000,000	-	54,610,000
Interest payments	11,424,508	-	-	-	-	11,424,508
Defeasance	-	-	-	-	-	-
Transfers to general fund	-	-	-	34,738,156	-	34,738,156
Disbursements	11,424,508	11,610,000	-	77,738,156	-	100,772,664
U.S. agency securities, at market	4,547,584	5,146,077	2,807,938	-	2,234,580	14,736,179
Cash in bank	-	-	-	-	-	-
State of Oregon Local Government	-	-	-	-	-	-
Investment Pool	-	-	-	1,978,392	4,119,797	6,098,189
Ending balance - December 31, 2010	$ 4,547,584	$ 5,146,077	$ 2,807,937	$ 1,978,392	$ 7,053,945	$ 21,533,935

WATER SYSTEM
Analysis of certain restricted cash and investments for debt service
Year ended December 31, 2010

	Debt Service Accounts	SDC Reserves	Construction Funds	Total All Funds
Ending balance - December 31, 2009	$ 2,629,582	$ 3,019,030	$ 189,863	$ 5,838,475
Deposits from general fund	2,995,807	1,276,506	-	4,272,313
Interest earnings	4,118	15,224	262	19,604
Receipts	2,999,925	1,291,731	262	4,291,917
Principal payments	1,295,000	-	-	1,295,000
Interest payments	1,646,794	-	-	1,646,794
Transfers to general fund	-	2,049,371	190,125	2,239,496
Disbursements	2,941,794	2,049,371	190,125	5,181,290
U.S. agency securities, at market	2,687,713	-	-	2,687,713
Investment Pool	-	2,261,390	-	2,261,390
Ending balance - December 31, 2010	$ 2,687,713	$ 2,261,390	$ -	$ 4,949,103

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.

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

INDEPENDENT AUDITOR'S COMMENTS

To the Board of Directors
Eugene Water & Electric Board

We have audited the accompanying combined financial statements of the Eugene Water & Electric Board (EWEB) as of and for the year ended December 31, 2010 and have issued our report thereon dated February 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether EWEB'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) 162-010-000 to 162-010-330, 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 over financial reporting.
- 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.

The results of our tests disclosed no matters of noncompliance with those provisions that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered EWEB's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EWEB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of EWEB's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect EWEB'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 EWEB's financial statements that is more than inconsequential will not be prevented or detected by EWEB's internal control.

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 by EWEB's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of EWEB's management, the Board of Commissioners, and the Secretary of State, Division of Audits of the State of Oregon and is not intended to be and should not be used by anyone other than these specified parties.

Julie Desimone

For Moss Adams LLP
Portland, Oregon
February 7, 2011

Rely on us.

EWEB

Eugene Water & Electric Board
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Eugene OR 97401

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