Eugene Water & Electric Board
500 East Fourth Avenue
P.O. Box 10148
Eugene, Oregon 97440
(503) 484-2411

Financial Highlights (Thousands of Dollars)

Electric Utility (Excluding Trojan Project)	1980	1979	1978	1977
For the Year				
Gross Operating Revenues	40 818	34 917	31 278	28 624
Net Operating Revenues	5 503	8 051	8 666	6 435
Net Revenue	7 242	8 055	8 107	5 500
Capital Expenditures	10 404	9 409	8 713	7 359
At Year End				
Net Working Capital	4 485	7 132	6 800	5 464
Long-Term Debt	32 584	34 247	35 849	37 142
Retained Earnings	77 893	70 651	62 596	54 488
Water Utility				
For the Year				
Gross Operating Revenues	5 556	5 046	4 381	3 925
Net Operating Revenues	1 485	1 572	1 564	1 534
Net Revenue	957	1 024	1 228	1 455
Capital Expenditures	2 072	2 480	5 422	7 256
At Year End				
Net Working Capital	498	563	147	1 800
Long-Term Debt	14 241	14 485	13 630	13 861
Retained Earnings	12 648	11 692	10 667	9 439

Bond Ratings	Standard & Poor's Corp.	Moody's Investors Service
Electric Utility System Revenue Bonds	AAA	Aa
Water Utility System Revenue Bonds	AA	A1
Trojan Nuclear Project Revenue Bonds	AAA	Aaa

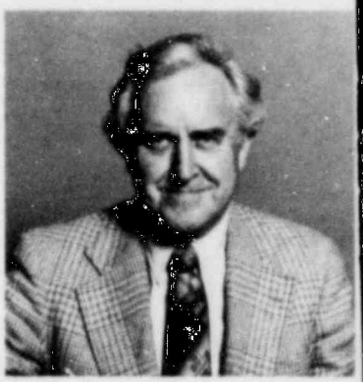
Eugene Water & Electric Board 1980 Annual Report

The cool, fresh water of the McKenzie River provides EWEB's water supply a well as producing hydroelectric power.

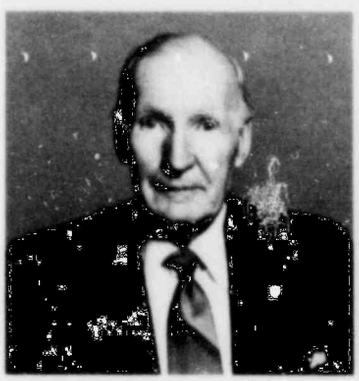
Planning for the Challenging Eighties

Eugene Water & Electric Board of Commissioners

Camilla P. Pratt
EWEB Vice President since 1979, Camilla Pratt was elected an EWEB Commissioner in 1976 representing Wards 2 & 3, and was re-elected in 1980. Commissioner Pratt is a certified medical technologist and a homemaker with business interests in Eugene.



Jack J. Craig
Jack Craig was elected an EWEB Commissioner in 1978 representing the city at large. Commissioner Craig is a video communications consultant and a legislative and governmental administrator. He is a former Oregon State Legislator (1971-72) and has served on the Lane Transit District Board of Directors.



Richard F. Freeman
Richard Freeman was elected an EWEB Commissioner in 1970 representing Wards 6 & 7, and was re-elected in 1976. Vice President of the Board from June 1973 through 1975, Commissioner Freeman is a geology research consultant emeritus, University of Oregon, with business interests in Eugene.

John R. Bartels
John Bartels was elected an EWEB Commissioner in 1978 representing Wards 4 & 5. Commissioner Bartels is a journalist and is president of the Power Research Group.

Sarah S. Hendrickson
Sarah Hendrickson was elected in 1980 to succeed Richard Freeman as EWEB Commissioner representing Wards 6 & 7. Commissioner Hendrickson is a family physician with an independent private practice in downtown/westside Eugene.

EWEB Commissioners are elected to four-year terms (effective 1976) and serve without pay.

Mayor, Common Council and Citizens of Eugene

John A. Tiffany
EWEB President since 1968, John Tiffany was appointed an EWEB Commissioner in 1962 representing Wards 1 & 8. He won election in 1964, 1970, 1976 and 1980. Commissioner Tiffany is president and general manager of Tiffany-Davis Drug Company.

The challenge of meeting the electricity and water needs of the Eugene community is increasingly difficult. Rapid inflation and growing demands for service have caused costs to spiral, resulting in higher rates. Federal and state lawmakers, in their attempts to help solve the energy dilemmas, have added burdensome regulations which often slow progress and add even higher costs to the utility's consumers.

The Public Utility Regulatory Policies Act and the National Energy Conservation Policy Act are examples of laws which have increased bureaucracy and cost while providing little benefit to EWEB's customers. From 1979 through 1981, EWEB expects to have spent $1.5 million to meet the requirements of these laws, an average cost of $23 per customer. Yet, the hours of public hearings and staff work showed that the essential intent and basic services required by the laws were already existing EWEB policy.

The Pacific Northwest Electric Power Planning & Conservation Act, signed into law in late 1980, could prove to be EWEB's greatest challenge. The law establishes the Bonneville Power Administration as the Northwest's power supply agency, with the ability to acquire and sell power from utility-built facilities, and to fund region-wide conservation programs. First, however, in 1981 the federal agency must provide 20-year contracts to all its customers. EWEB must work hard for its customers to achieve contracts which are fair, protecting them from unwarranted costs or from loss of their utility's local control.

Planning for the future is very difficult when the future is so uncertain. However, EWEB has progressed in its planning effort so that the utility has the flexibility to act as opportunities occur. This is why EWEB is actively investigating several potential renewable energy resources, and is moving forward with an expanded conservation effort.

Essential to the utility's success is the skill and dedication of the employees at all levels of the organization. EWEB has a proud record of employing quality staff and providing continued training and development. The employees have rewarded the community with excellent performance, both in their work and in their customer service.

Throughout these challenging times, the Board of Commissioners will continue their full support toward maintaining EWEB's financial integrity, while providing the best possible service at reasonable cost to our customers.

John A. Tiffany
President

Utility Services

Eugene Water & Electric Board has been providing electric and water service to the Eugene community since 1911. Today, the reliability of EWEB's electric system and the quality of the water supply are among the nation's best. This was accomplished through years of planning, commitment and effort.

Eugene is growing. The population inside the city limits is nearly 106,000, a 34% increase in ten years. Expanding and upgrading utility services to serve the growing population is expensive, requiring farsighted planning to hold costs to a minimum. EWEB employees are working with city and county planners to identify where growth will occur, with the understanding that provisions must be made for utility services prior to development.

The electric and water systems are adequately insured, as certified by the utility's independent engineer, Ford, Bacon & Davis, Inc. Their reports also confirm the generally excellent condition of the utility, and the high level of service reliability to its customers.

Eugene is Oregon's second largest city. EWEB's offices, operations and steam plant are in the foreground by the Willamette River.

Electric Utility

Customer growth is requiring many new facilities such as this substation being checked by Dick Gall, electric operations superintendent.

Sales, Revenue

The economic recession had a significant impact on the electric utility in 1980. The number of new residences constructed in EWEB's service area was less than one-third the record number built just two years before. And the 1,000 new electric customers was smallest rise since 1966. The reduced community growth helped hold EWEB's total retail electric sales to 2.19 billion kilowatt-hours, an increase of 2.1% above 1979.

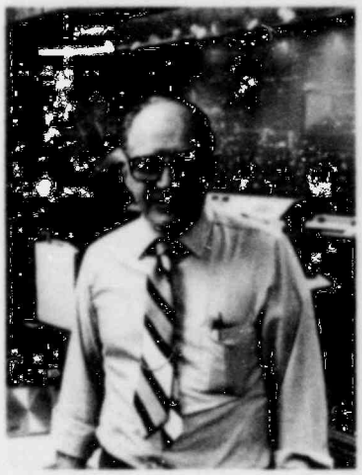
An industrial rate increase in February along with a 25% increase to all other customers in October, pushed total retail electric revenues to $33.3 million, $4.3 million or 15% higher than 1979.

Residential customers accounted for 51% of the retail electric revenues in 1980, down from 55% in 1979. The average residential revenue per kilowatt-hour in 1980 was 1.74 cents, 8.1% greater than the 1.61 cents in 1979. Multiplied by the 18,141 kWh average annual residential use (down from 18,570 kWh in 1979) the average residential electric bill totaled $316 in 1980, $17 or 5.7% higher than in 1979. The national average annual residential electric cost estimated by the Edison Electric Institute was $122 higher than the EWEB average, even though the national average electric use was less than half what EWEB customers use per residence. EWEB customers use more electricity than the national average because some 70% of Eugene homes are electrically heated. In fact, 93% of the 16,000 residences added to EWEB's system in the past 10 years have electric heat.

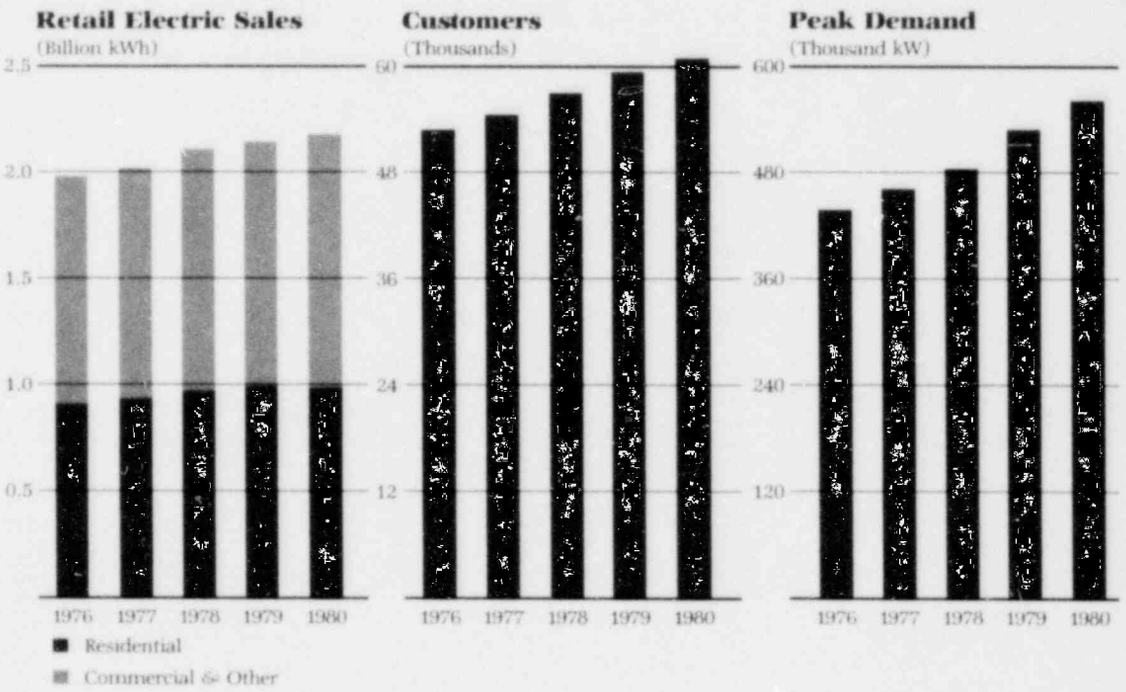
An additional $6 million in electric revenues came from sales to other utilities, bringing total revenue to $39.3 million, 18% above the $33.3 million in 1979.

The electric system one-hour peak demand continued its rapid climb in 1980, reaching 567,000 kilowatts on January 30, 6.4% greater than the 533,000-kilowatt peak in 1979. During the past five years, the EWEB peak demand has risen an average of 33,000 kilowatts per year, half again greater than the combined capacity of EWEB's Walterville and Leaburg hydroelectric projects.

EWEB generated 555 million kWh at its generating plants in 1980, 33 million kWh less than in 1979 because the EWEB steam plant was not used to produce electricity in 1980. The Carmen-Smith hydroelectric project generated 235 million kWh, the Leaburg and Walterville hydroelectric projects generated 160 million kWh, and the Utility/Industrial Energy Center (a cogeneration steam plant at Weyerhaeuser Co.) also generated 160 million kWh. EWEB purchased two billion kWh from the Bonneville Power Administration and other sources in 1980, an increase of 50 million kWh over the previous year.



Controlling the electric system for reliability and safety is the around-the-clock work of the EWEB dispatchers, headed by Chief Power Dispatcher Harold Graham.



Electric System Planning

Providing reliable service to EWEB's customers has required substantial investments in electric system expansion during the past decade. The electric utility is serving 42% more customers than in 1970, and electricity use is up 55%. To meet these needs, EWEB has more than doubled the miles of distribution lines serving its customers, has increased substation capacity by 60%, and has upgraded much of the utility's 69,000-volt transmission to 115,000 volts.

A major project in 1980 was the construction of the new Jefferson Substation and related transmission line. The substation is needed to provide power for growth in the downtown Eugene area. Among the new buildings being built downtown are a performing arts center, a conference center and a Hilton Hotel. The addition of the Jefferson Substation allows the downtown network to be split into two systems, each served by a separate substation.

EWEB planners predict that meeting customers' needs through 1990 may require investing $32 million in substation equipment, $7.5 million in transmission lines, and $88 million in distribution facilities.

EWEB continuously monitors its electric system. This information is analyzed to determine system expansion needs, and to find ways to control costs and improve efficiency while maintaining high reliability.

Construction in the downtown Eugene area includes a performing arts center and a Hilton Hotel. Mel Damewood, electric distribution engineering supervisor, checks plans to provide service to the new buildings.

EWEB's general construction and equipment maintenance employees are directed by George Partridge, service operations superintendent.

EWEB's three hydroelectric plants provide low-cost power to help meet Eugene's needs. Clarence Hill, hydroelectric superintendent, inspects a Leaburg Powerhouse generator.

1980 Statistical Highlights Electric Utility

	1980	% change 1979-80
Retail sales (kilowatt-hours)	2,189,370,028	up 2.1%
Revenue from retail sales	$33,316,609	up 15%
Average number of customers	60,932	up 1.8%
Average revenue/kilowatt-hour	$0.0152	up 12.6%
Peak one-hour demand (kilowatts)	567,000	up 6.4%
Average annual residential use (kilowatt-hours)	18,141	down 2.2%
Plant in service (excluding Trojan Project)	$139,078,735	up 4.9%
Steam system sales (pounds)	506,863,250	down 11.2%
Revenue from steam sales	$996,177	down 2.4%

Water Utility

The McKenzie River and EWEB's facilities assure that Water Superintendent Kimber Johnson does not have to worry about water shortages.

Sales, Revenue

The 8.1 billion gallons of water sold in 1980 was the third highest ever, behind slightly higher sales in 1974 and 1979. Use of water by EWEB customers has leveled during the past few years in spite of steady customer growth. Among the reasons are wetter than normal summers reducing the need for irrigation, and higher rates encouraging conservation.

The largest impact on 1980 water sales was the rainy and cool weather in June, resulting in a 400-million-gallon drop in water pumped that month compared with June 1979.

Moderate temperatures continued throughout the summer, which helped hold down the one-day peak demand for water to 56.3 million gallons, 4.1 million gallons less than the record set in 1979.

The 32,754 customers served by the water utility in 1980 is an increase of 1,569 above 1979. However, 730 of the "new" customers were previously being served by EWEB through the Oakway Water District, which counted as a single customer. The customers of the district voted to turn over its service area to EWEB effective January 1, 1980, because the majority of the district's customers had annexed to the city, reducing the service area to an uneconomic size. EWEB had already been providing the district's service installations, maintenance and billing.

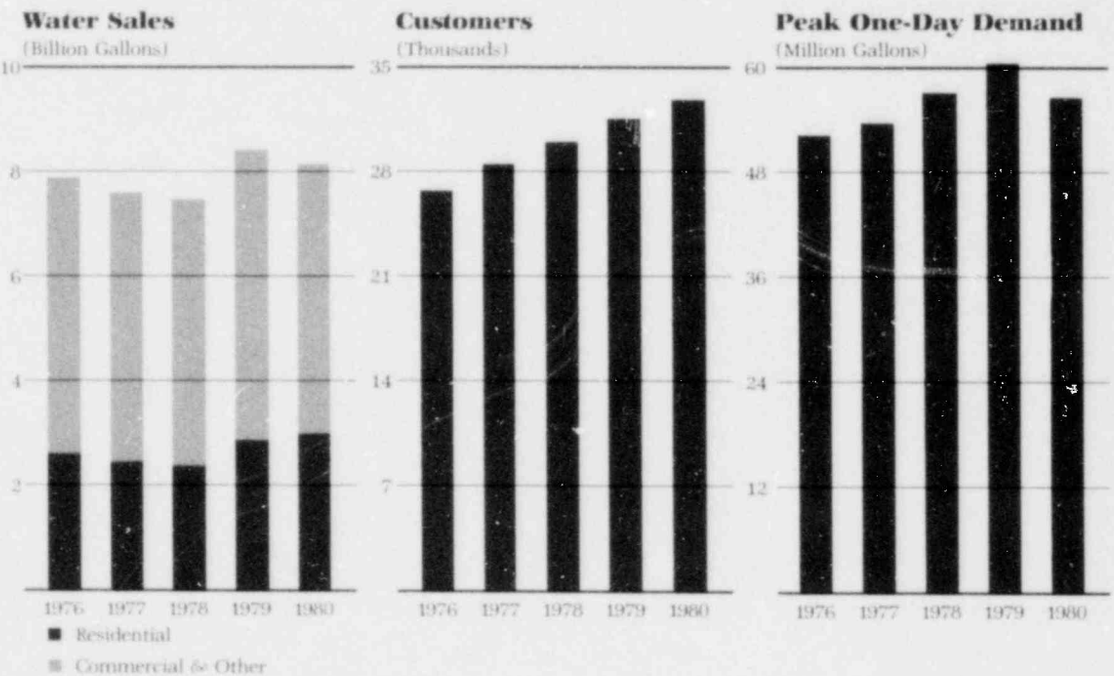
The transfer of Oakway Water District customers to EWEB is the reason why residential water sales showed a one-percent increase in 1980, while water district sales declined 15.4%. More meaningful is their combined total, which is a 3.9% reduction from 1979. Commercial water sales were 3.3% below 1979.

A 10% average water rate increase in February 1980 helped water revenues reach $5.5 million, $529,000 greater than in 1979. Revenues from commercial customers were up 11.8%, while revenues from residential customers and water districts combined rose 8.9%. The average annual residential water bill in 1980 was $93.50, up $4.50 from 1979. At 89 cents per 1,000 gallons, one penny purchased better than 11 gallons of purified water delivered to the tap for residential users.

Water System Planning

The leveling of sales growth for the water utility misrepresents the recent need to expand the water system to assure a pure and plentiful water supply to the community. A more significant indicator of the expanding service needs is the near 50% increase in the number of customers served during the past ten years.

EWEB began a major water system improvement program in 1976 that is expected to cost nearly $19 million by the time it is completed in the middle of this decade. Phase one of the improvements is nearly complete. So far, EWEB has increased the capacity of its water filtration plant by 75% and the volume of reservoir storage by 35%, along with adding several miles of transmission pipelines. A planned second phase will include additional reservoir storage and



Water quality is monitored continuously by EWEB's trained staff, such as Doug Wise, assistant filter plant supervisor.

transmission capacity. EWEB plans to sell $15 million in water utility system revenue bonds to finance the majority of the system improvement costs. The utility has already issued $10 million in bond anticipation notes to help cover project costs to date. Prior to the recent improvements, the community's demand for water had reached the limits of EWEB's water filtration and transmission capacity.

Although rates have increased to provide funds for the system improvements, the community benefit is clear. Eugene has one of the best water systems in the nation, noted both for its high quality and its plentiful supply.

Eugene is blessed with the fresh, cool McKenzie River as its water source. The water is filtered and purified at EWEB's filtration plant, which has the capacity to deliver nearly twice the current peak demands for water. The water is continuously monitored for quality at EWEB's federally certified laboratory to assure EWEB customers that their water exceeds all standards of the Federal Safe Drinking Water Act.

EWEB operates a central steam heating system serving 145 customers principally in the downtown Eugene area. The steam is produced by burning hogged fuel (wood waste) from lumber mills, traditionally an abundant waste product available at low cost. The economic recession and high interest rates, however, hit the housing industry hard, causing the shutdown of several area mills in early 1980. Suddenly, EWEB's supply of hogged fuel ran short.

In an attempt to stretch the fuel supply, EWEB contacted its steam customers, encouraging conservation. Also, the utility received a one-year permit to mix coal with the wood fuel. While modifications were being made to burn coal, EWEB had to burn fuel oil. During this time, activity at the mills increased and EWEB was able to acquire an adequate wood waste supply for the remainder of the year. Even though the fuel-supply problem eased, it was replaced by a cost problem. Prices for hogged fuel have jumped several times higher than the price paid in 1979.

Maynard Cotten, steam operations superintendent, manages EWEB's wood-waste fueled steam plant and the central steam heating system.

A condition of the utility's permit to mix coal with hogged fuel requires EWEB to complete in 1981 a report on the utility's future plans to operate the steam plant in compliance with existing and future air pollution requirements.

Sales, Revenue

The conservation effort in 1980 helped hold down steam sales to 507 million pounds, 11% under 1979 sales. A 37% rate increase in October brought revenues to $996,000, 2.4% under 1979.

1980 Statistical Highlights Water Utility

	1980	% change 1979-80
Total sales (gallons)	8,110,193,000	down 3.6%
Total revenue from sales	$5,543,776	up 10.4%
Average number of customers	32,754	up 5.0%
Average revenue/1,000 gallons	$0.684	up 14.8%
Peak 24-hour demand (gallons)	56,300,000	down 6.8%
Average annual residential use (gallons)	105,403	down 4.1%
Plant in service	$39,095,653	up 6.3%

Financial Management

Eugene Water & Electric Board's financial growth the past decade far exceeded the utility's growth during EWEB's previous 60 years of operation. Operating revenues for all utility services in 1980 exceeded $46 million, compared with $13 million in 1970. During the same period, operating expenses increased from $10 million to $39 million. In 1980, EWEB's plant in service totaled $178 million (excluding the Trojan Plant), an $80 million increase over 1970.

Throughout this period, it has been EWEB's objective to attain the highest possible bond ratings. In 1980, the electric utility's revenue bonds were rated AAA by Standard & Poor's Corp. and Aa by Moody's Investors Service, while the water utility revenue bonds were rated AA and A1, respectively.

The success of EWEB's financial management, the same as the utility's success in providing quality services, results from the commitment and direction of the elected Board of Commissioners and from the skill of the utility's management and workforce.

EWEB's thousands of customers depend on the utility's financial management to help hold down costs. Here, Application Supervisor Juanita Prigan checks billing information.

The daily financial operations of the general accounting department are administered by Dave Johnson, general accounting manager.

A key to EWEB's financial stability is the action taken by Eugene's community leaders 70 years ago. So that the municipal utility would be "beyond all political strife," the Eugene City Council formed a separately elected Board to assume full control of construction and operation of the utility. This independence has enabled the utility's Board to make decisions based solely on providing the best possible service at reasonable cost to its ratepayers. The EWEB Commissioners have exclusive jurisdiction to set rates, and are dedicated to the long-term financial health of the utility.

Among the Board's directions are five general policies which were officially recognized at their meeting on February 28, 1977. Following is an excerpt from that meeting:

As a target or objective of overall accomplishment, the Board directs the management staff in EWEB's long range planning activities to be guided by the following broad operational policy toward securing and maintaining a triple A posture for our utilities.

1. Emphasize quality above all in the selection and training of employees, with a continued sense of responsibility to our employees in providing good jobs and continuing opportunity.
2. Maintain our utility plant at a level of top operating efficiency, being cognizant of our long range responsibilities to all customers for price, quality and efficiency.
3. Conduct the fiscal affairs of the Board in such a manner as to ensure a triple A rating on our bonds, and generate the needed funds internally to the highest level possible in carrying out the Board's long range fiscal program.
4. Continue our sensitivity to the impact of decisions and actions taken by our utility and interact openly and in a completely candid, honest and forthright manner with all citizen-customer groups, the general public at large, and all governmental bodies.
5. Continue with our responsibility of screening out the availability and cost relationships of alternative sources of power, including the cooperative and joint effort with other utilities and groups in the region, and with a sense of assurance in diversification to provide a sound basis for an adequate supply of power in the future to meet our customers' needs.

An important part of EWEB's financial planning is its 10-year forecast of revenues, expenses, debt service coverage and capital construction requirements. In addition, there is accountability, as EWEB has had an annual independent audit of the accounts and records since 1924.

EWEB's budget continues to grow because of higher material and labor costs, plus new capital projects. However, a major increase has been for purchased power, principally from the Bonneville Power Administration (BPA). BPA doubled its wholesale power rates to EWEB in December 1979, and is planning a 53% increase in July 1981, with further increases annually thereafter. Since EWEB purchases about three-fourths of its power supply, mostly from BPA, these increases have a large impact on the utility's budget.

Data Processing Manager Greg Belshaw oversees the growing use of computer technology to improve productivity and customer service.

Rates analyses, federal requirements and public hearings are among the challenges addressed by Garry Kunkel, rates manager.

The EWEB Commissioners have held several hearings to discuss utility issues with the community.

Rates

During EWEB's first 60 years, it was known for rate decreases rather than increases. However, since 1970, EWEB's electric rates have doubled and water rates have tripled. Still, residential customers paid an average of 1.61 cents per kilowatt-hour of electricity in 1980, one-third the national average, and paid just 89 cents for each 1,000 gallons of water used.

EWEB's rates are designed to provide adequate revenues while charging customers based upon actual cost of service. Toward this end, EWEB has conducted comprehensive rate studies. In 1981, load research equipment will be installed on a sampling of homes and businesses to provide additional information about power cost allocation in the setting of electric rates.

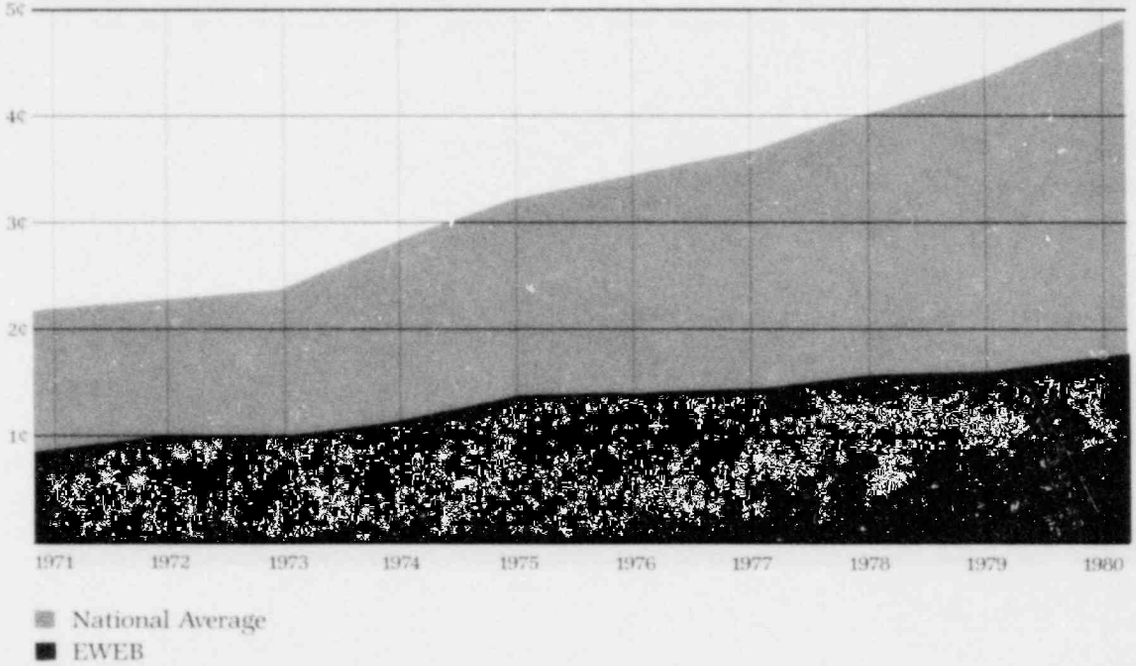
A thorough public examination of EWEB's rate-making policies was conducted through hearings held in response to the federal Public Utility Regulatory Policies Act. The result of these hearings supported EWEB's previously existing rate designs as being fair and reasonable.

Communications

Higher rates, along with the increasing complexity and uncertainty of energy issues, have made communication with customers even more important. At EWEB, customer service includes being open and sensitive to customer concerns, as well as being forthright in responding to questions. In an effort to expand communications, EWEB has implemented a special customer response program. Customers are invited to write on the back of their bills any comments or questions, and to include a phone number so an EWEB representative can call with an immediate response. Many customers take advantage of this program, which is very successful in resolving differences and providing information.

EWEB also actively communicates with customers through traditional methods, such as bill inserts and brochures, as well as through numerous presentations, especially by representatives of the Conservation Center.

Average Residential Revenue per kWh **EWEB & National Average**

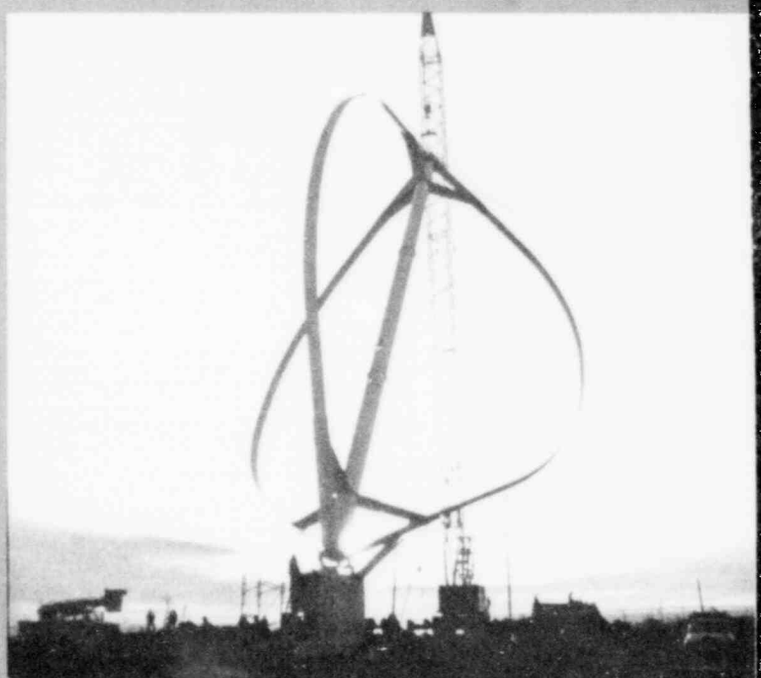


Conservation & New Resources

An electricity shortage in the 1980's can happen. Forecasts show that the entire Pacific Northwest could have an electricity crisis any time during the decade should a prolonged drought occur preventing the region's hydroelectric reservoirs from filling adequately to meet power needs.

This challenge has been recognized for several years. However, major new power plants planned or under construction in the Northwest have been delayed or cancelled for numerous reasons. Fortunately, the growing demand for electricity tapered during the 1970's, partly due to widespread conservation efforts.

EWEB has actively pushed for effective conservation and for development of renewable generating resources, having spent over $2.7 million in this effort from 1976 through 1980. An additional $3 million is budgeted for these efforts in 1981. The following is a review of EWEB's conservation and renewable resource programs.



EWEB is the lead utility among 19 Oregon public utilities which contracted with Alcoa Laboratories to install this 500-kilowatt vertical-axis wind turbine in 1980 near Newport on the Oregon Coast.

Conservation

Several solar-assisted homes are being built in Eugene, such as this one visited by Jean Reeder, energy conservation manager.

Energy-Efficient Homes

EWEB was the first utility to adapt the energy-efficient "Arkansas" home construction standards to the climate and conditions of the Northwest. Since the EWEB Energy Efficient Building Award standards were developed in 1976, 160 of these super-insulated homes have been certified by EWEB. The average energy-efficient home (1,200 square feet) being specially metered by EWEB is using about 3,500 kilowatt-hours for electric heating during the October-May heating months. This is about one-third the average for comparable conventional homes.

EWEB will be updating its standards for these homes in 1981 to provide builders more flexibility while still maintaining the low energy consumption. In addition, EWEB is developing a companion program for homes which utilize passive solar heating techniques.

Residential Weatherization

By the end of 1980, EWEB had performed some 4,500 home energy analyses since the program began in 1977. The analyses benefit the customers by showing the conservation activities and weatherization improvements which can save the most energy for the least cost.

EWEB held hearings in 1980 on its proposed Residential Conservation Service required by the National Energy Conservation Policy Act. The service, approved by the U.S. Department of Energy in early 1981, is essentially an extension of EWEB's existing home analysis program plus additional services in helping the customer locate materials, installation and financing. The analysis also has been expanded to provide information about use of passive solar systems to reduce energy use.

Additional residential weatherization services planned include offering loans or grants, and providing water heater insulation jackets. Conservation programs and opportunities resulting from the Pacific Northwest Electric Power Planning & Conservation Act will also contribute to EWEB's conservation services.

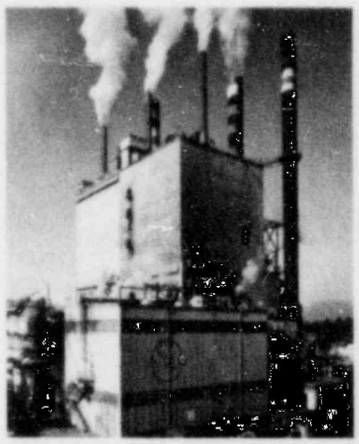
Solar Utilization

Studies by EWEB and others have shown that Eugene's climate is suitable to utilizing passive solar energy. To encourage use of solar energy, EWEB has provided financial assistance to the University of Oregon's Solar Center for automated solar data gathering, and is specially monitoring energy use at several solar-assisted homes to help identify cost-effective systems for space and water heating. In addition, EWEB is drafting a manual for developers to assist them in identifying ways to plan developments for maximum solar access.

Consulting

EWEB personnel in 1980 personally contacted all the utility's major electricity users to offer assistance in analyzing ways to reduce energy use and peak demand, and to improve load factors. This program was successful in helping several firms improve their energy efficiency. EWEB will be working in 1981 to develop an energy use analysis program for small commercial customers.

EWEB has consulted with its major customers to identify ways to trim electricty use. Industrial Accounts Specialist Jack Clark is at right.



EWEB and Weyerhaeuser Co. worked together to develop this cogeneration power plant which began operation in 1976.

Cogeneration

The EWEB-Weyerhaeuser Utility/Industrial Energy Center in Springfield has been in operation since 1976. High-pressure steam produced by Weyerhaeuser's boilers is routed through an EWEB turbine-generator prior to its use in the industry's pulp mill. Weyerhaeuser currently supplies enough steam to produce about 28,000 kilowatts of power. Through 1980, the project had generated nearly 700 million kilowatt-hours of electricity.

EWEB signed a contract in early 1981 with Lane Plywood Company of Eugene to purchase electricity to be generated by the firm's 800-kilowatt cogeneration plant expected to be operating in late 1981.

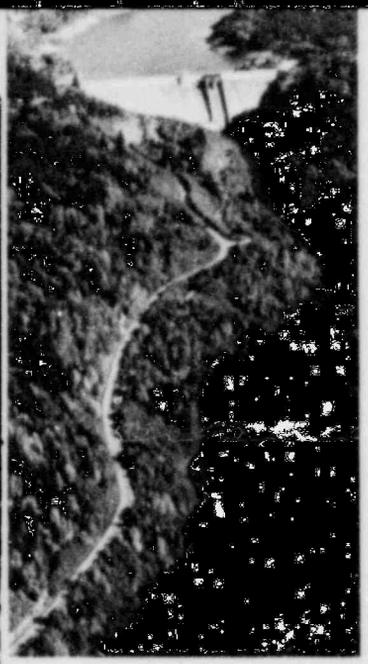
A study of a possible cogeneration unit at the Kingsford Charcoal Briquet plant in Springfield was completed in 1980. The study's results showed uncertainties as to the current feasibility of the project.

Geothermal

EWEB has been very active in working to identify geothermal potential in Oregon's Cascade Mountains in hopes to develop the resource for electric production. Progress has been slow, but was aided by a cooperative project sponsored by EWEB, the U.S. Department of Energy, the Oregon Department of Geology and Mineral Industries and several resource owners to drill six temperature-gradient slim holes in 1979. Much information has been gained from this and other efforts, and EWEB continues to be optimistic about geothermal potential in Oregon.

EWEB and four other utilities have been working together to utilize water-dominated geothermal resources in northern Nevada. It is hoped that this experience will provide needed power and be valuable in efforts to develop similar resources in Oregon. In early 1981, EWEB signed a contract to take part in the installation of a 10,000-kilowatt wellhead generating unit at one of the Nevada resources.

Successful geothermal wells have been drilled in northern Nevada, and EWEB is a partner in a project to install generation at one of these wells.



EWEB is studying several sites for small hydro projects, including the Middle Fork of the Santiam River downstream from the Army Corps of Engineers' Green Peter Dam.

John Scofield, engineer/power resources (left), and Dean Axtell, project engineer, are coordinating EWEB's efforts to identify and pursue small hydroelectric developments.

Herbert Hunt, director of power resources (left), meets with Nate Coleman, president and general manager of Lane Plywood, Inc., where the timber products firm will install a cogeneration unit in 1981.

Hydroelectric

Five preliminary permits were issued to EWEB in 1980 by the Federal Energy Regulatory Commission to study the feasibility of building hydroelectric facilities at sites in western Oregon. Three of the sites are located at existing U.S. Army Corps of Engineers' flood control dams, while the other two sites are located downstream from existing Corps' dams. The projects range in size from 4,000 to 34,000 kilowatts.

EWEB is investigating numerous other possible sites where hydroelectric plants may be economically and environmentally feasible.

Wind

Nineteen Oregon public utilities, with EWEB as the lead agency, contracted with Alcoa Laboratories to install a 500-kilowatt vertical-axis wind turbine at the Oregon Coast near Newport. Erected in December 1980, the 140-foot-tall unit is the largest of its design yet installed. Also contributing funds for the project was the American Public Power Association. The unit is being monitored to determine costs and reliability of wind generation, impacts of integrating a randomly operating power source into a utility system, and environmental effects including public attitude toward visual impact.

Wood

EWEB built its first wood-fired boiler and electric plant in 1940 and another in 1950. Since EWEB purchased the central steam heat system in 1962, the boilers have run continuously to supply steam and, until recently, had been frequently used to generate electricity. While there once was an abundance of mill wood waste for fuel, it is now in short supply. This situation has led EWEB, Pacific Power & Light, Electric Power Research Institute and the Governor's Wood Residue Utilization Committee to fund a comprehensive study of utilizing forest slash as fuel. The study, to be completed in 1981, includes the collecting, processing and conversion of the slash into electric power by a proposed power plant near the forest resources.

Each of these resources has potential. How much of this potential is developed, and when, depends upon governmental procedures, technological problems, site availability, economic considerations and public acceptance. EWEB is working in all these areas to bring on line the new resources which will be needed by our customers.

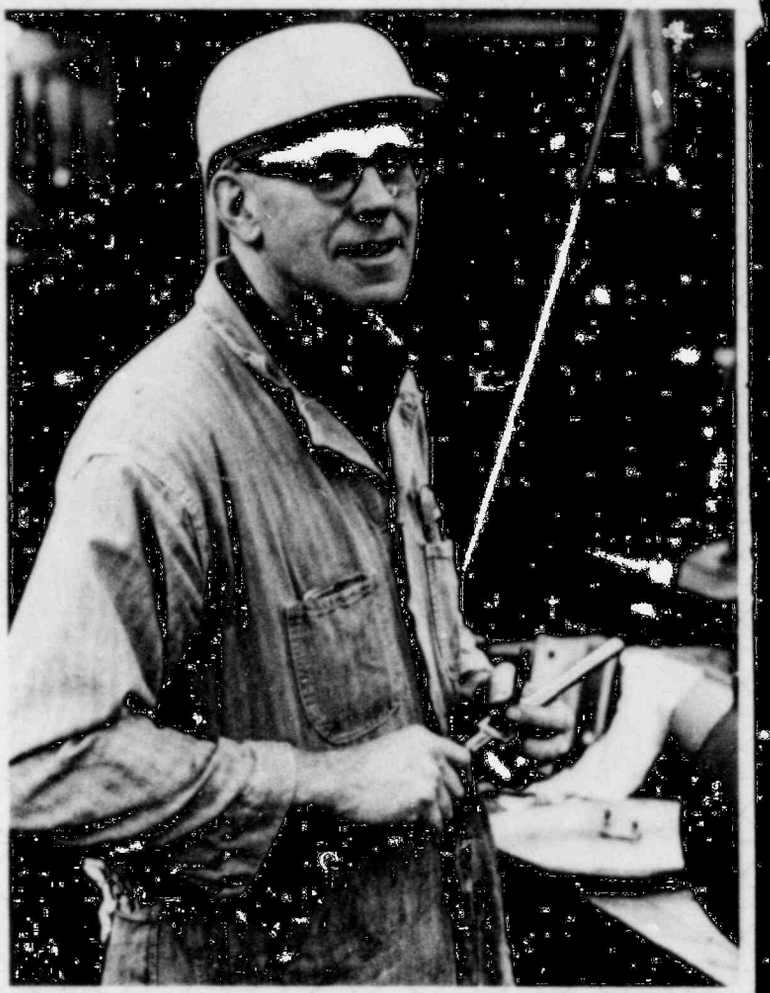
"Essential to the utility's success is the skill and dedication of the employees at all levels of the organization."

John A. Tiffany
President

Pure water and a reliable electricity supply are considered essential to the health of a community. Providing these services requires a great variety of skills. The broad knowledge and abilities of EWEB's 446 employees are the utility's strength. And these skills keep growing as the utility must continually increase productivity and customer service. An indicator of the EWEB employees' success in increasing performance and efficiency is that 89 new positions have been added in the past 10 years, while the electric and water utilities have added 28,000 customers to be served. An important reason for the utility's quality service has been the advanced training and education provided employees through internal and external courses and seminars.

The experience of EWEB's workforce is demonstrated by the average of more than 11 years of service per employee. They are known for their responsiveness to emergencies and to customer concerns, and for their caring, shown in part by their involvement in many community service activities.

Adding to the employment stability and employee growth at EWEB is the utility's promote-from-within policies and its affirmative action program, which assures nondiscrimination and equal opportunity for employment and advancement.



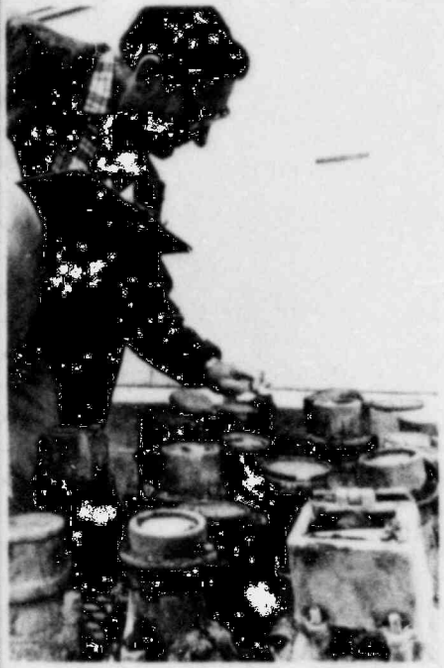
Virgil Nelson, steam plant mechanic II

Personnel Director Richard Anderson meets regularly with EWEB's supervisors to review and update personnel policies and procedures.

EWEB's affirmative action programs are administered by Edie Warner, equal opportunity programs manager.

Lavonne Landers, transformer technician

Pat Maxwell, journeyman lineman



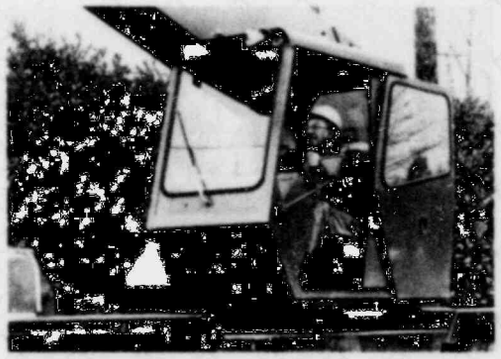
Curt Mattison, water meter shop foreman

Loretta Coon, electric meterman

Iona Mosley, credit representative

Evan Gentry, graphic arts technician/tour representative

Debbie Wilson, data entry operator, and Dennis Hunt, assistant data processing manager



Wally Kraegenbrink, yard utility foreman

Jim Bassett, computer operator

Ernie Herrera, equipment operator II

Management, Advisors, Consultants

Executive Management

Keith Parks
General Manager/Secretary

Rosemary P. Edwards
Assistant Secretary

John E. Brown
Treasurer
Director, Accounting & Finance

Donald W. Vanderzanden
Assistant Treasurer

Herbert H. Hunt
Director, Power Resources

Kenneth W. Rinard
Director, Operations & Engineering

Owen D. Brown
Chief Engineer

Norman F. Stone
Director, Administrative Services

William F. Rau
Director, General Services

Advisors and Consultants

Windsor Calkins
General Counsel

Coopers & Lybrand
Independent Auditor

Schwabe, Williamson, Wyatt, Moore & Roberts
Special Counsel

Ford, Bacon & Davis, Inc.
Independent Engineer

Wood & Dawson
Bond Counsel

Lazard Frères & Co.
Financial Consultant

Analysis of Sales

Analysis of Electric Sales		**1980**		
Class of Service	Average Number of Customers	Consumption (kWh)	Total Revenue	Average Revenue/ kWh
Residential	54 179	982 849 412	17 062 064	.0174
General Service	6 719	602 028 033	9 975 504	.0166
Large Commercial & Industrial	25	582 666 823	6 052 085	.0104
Street Lighting	8	9 155 694	96 549	.0105
Water Utility	1	12 670 066	130 407	.0103
Retail Electric Sales	60 932	2 189 370 028	33 316 609	.0152
Sales to Other Utilities	—	243 533 000	5 962 264	.0245
Total Electric Sales	60 932	2 432 903 028	$39 278 873	$ .0161
		1979		
Residential	53 188	987 719 617	15 873 747	.0161
General Service	6 643	580 929 274	8 990 547	.0155
Large Commercial & Industrial	26	549 229 613	3 857 356	.0070
Street Lighting	8	9 439 529	88 732	.0094
Water Utility	1	17 541 212	172 246	.0098
Retail Electric Sales	59 866	2 144 859 245	28 982 628	.0135
Sales to Other Utilities	—	247 459 000	4 349 285	.0176
Total Electric Sales	59 866	2 392 318 245	$33 331 913	$ .0139

Analysis of Water Sales		**1980**		
Class of Service	Average Number of Customers	Consumption (1000 Gal.)	Total Revenue	Average Revenue/ 1000 Gal.
Residential	27 937	2 944 775	2 613 363	.887
Commercial	4 813	4 008 154	2 449 128	.611
Water Districts	3	1 080 487	446 665	.413
Electric Utility	1	76 777	34 620	.451
Total Water Sales	32 754	8 110 193	$5 543 776	$ .684
		1979		
Residential	26 494	2 912 059	2 358 265	.810
Commercial	4 686	4 146 006	2 190 512	.528
Water Districts	4	1 277 963	452 715	.354
Electric Utility	1	77 506	13 443	.173
Total Water Sales	31 185	8 413 534	$5 014 935	$ .596

Contributions In Lieu of Taxes (Including Trojan Project)

Paid to:	1980	1979	Cumulative Total
City of Eugene	3 243 549	2 493 423	25 301 049
School Districts & LCC	1 536 340	1 417 223	8 797 278
City of Springfield	55 800	54 890	298 753
Total Contributions	4 835 689	3 965 535	34 367 080

To remove financial statement, fold along perforation, then tear.

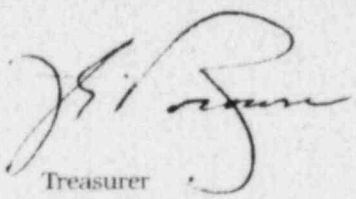
Financial Statement
Nineteen Eighty
Eugene Water & Electric Board

Eugene Water & Electric Board
500 East 4th Ave. / P.O. Box 10148 / Eugene, Oregon 97440
(503) 484-2411

Financial Statement Responsibility

The management of Eugene Water & Electric Board is responsible for the preparation, integrity and objectivity of its financial statements and accompanying notes. The financial statements were prepared in conformity with generally accepted accounting principles for public utilities and accounting requirements of the Federal Energy Regulatory Commission. They reflect all adjustments which are, in the opinion of management, necessary for a fair statement of financial condition and results of operations.

For over 50 years, the Board has appointed a firm of certified public accountants to conduct an annual independent audit of its accounts and records and furnish a written audit report. Coopers & Lybrand, independent certified public accountants, are engaged to examine, in accordance with generally accepted auditing standards, the financial statements and issue opinions thereon. Their examination includes a review of existing internal controls, tests of transactions and other procedures sufficient to provide reasonable assurance that the financial statements are neither misleading nor contain material errors.



Treasurer
February 24, 1981

To the Board of Commissioners of Eugene Water & Electric Board:

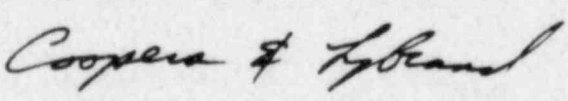
We have examined the financial statements of the Eugene Water & Electric Board for the years ended December 31, 1980 and 1979, which appear on pages 2 to 12 herein. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly:

(1) the financial position of the Electric Utility and Water Utility of the Eugene Water & Electric Board at December 31, 1980 and 1979, and the results of their operations and changes in their financial position for the years then ended; and

(2) the assets and liabilities of the Electric Utility General System and the Trojan Project of the Eugene Water & Electric Board at December 31, 1980, and the results of their operations and changes in their financial position for the years ended December 31, 1980 and 1979,

all in conformity with generally accepted accounting principles applied on a consistent basis.



Eugene, Oregon
February 24, 1981, except for the Litigation
Note as to which the date is March 18, 1981.

Electric Utility

Balance Sheet

December 31, 1980 and 1979

Assets

	1980			1979
	General System	Trojan Project	Total Utility	Total Utility
Plant in service	139 078 735	147 161 448	286 240 183	273 513 448
Less—Accum. depreciation & amortization	47 899 980	7 412 422	55 312 402	49 977 398
	91 178 755	139 749 026	230 927 781	223 536 050
Property held for future use	2 130 359		2 130 359	627 390
Construction work in progress	5 472 003		5 472 003	3 595 944
Nuclear fuel, less accumulated amortization 1980–$14,823,209; 1979–$9,610,163		23 394 095	23 394 095	23 489 268
UTILITY PLANT	98 781 117	163 143 121	261 924 238	251 248 652
Bond funds	3 041 678	10 563 421	13 605 099	13 310 674
Reserve & contingency fund		2 000 000	2 000 000	2 000 000
Renewal & replacement fund	500 000		500 000	500 000
Construction fund	1 824 520		1 824 520	1 622 644
SEGREGATED FUNDS	5 366 198	12 563 421	17 929 619	17 433 318
Cash & temporary investments	1 660 413	3 746 551	5 406 964	10 501 460
Segregated cash & securities for payment of debt service	1 088 415	3 379 002	4 667 417	4 547 624
Receivables, less reserves 1980–$117,647; 1979–$95,140	5 812 679		5 812 679	3 918 906
Materials & supplies	2 720 802	1 996 106	4 716 908	2 882 816
Prepayments & special deposits	142 535	161 643	304 178	497 256
CURRENT ASSETS	11 424 844	9 483 302	20 908 146	22 348 062
Advance refunding costs		11 947 820	11 947 820	12 364 604
Unamortized bond expense	142 103	405 915	548 018	591 577
Deferred charges & other	1 856 301	3 033 996	4 890 297	1 350 031
OTHER ASSETS	1 998 404	15 387 731	17 386 135	14 306 212
	$117 570 563	$200 577 575	$318 148 138	$305 336 244

The accompanying notes are an integral part of this statement.

Liabilities

	1980			1979
	General System	Trojan Project	Total Utility	Total Utility
Balance beginning of year	70 650 539		70 650 539	62 595 724
Net revenue for the year	7 242 389		7 242 389	8 054 815
RETAINED EARNINGS	77 892 928		77 892 928	70 650 539
LONG-TERM DEBT	32 583 665	142 973 711	175 557 376	179 425 964
Accounts payable	4 189 199	284 245	4 473 444	5 754 120
Accrued payroll & vacation pay	823 969		823 969	724 113
Accrued interest on long-term debt	561 460	2 834 922	3 396 382	3 582 248
Long-term debt due within one year	1 365 000	2 335 000	3 700 000	3 520 000
CURRENT LIABILITIES	6 939 628	5 454 167	12 393 795	13 580 481
OTHER LIABILITIES AND DEFERRED CREDITS	154 342		154 342	160 753
DEFERRED TROJAN NET BILLINGS		52 149 697	52 149 697	41 518 507
	$117 570 563	$200 577 575	$318 148 138	$305 336 244

Electric Utility

Statement of Net Revenue

For the Years Ended December 31, 1980 and 1979

	1980	1979
Residential	17 062 064	15 873 747
Commercial & industrial	16 027 589	12 847 903
Sales to other utilities	6 731 832	5 174 398
Steam heating	996 177	1 020 851
OPERATING REVENUES	40 817 662	34 916 899
Purchased power	11 520 841	7 115 663
Steam & hydraulic production	6 302 671	5 188 854
Transmission & distribution	4 763 524	3 580 955
Administrative & general	3 986 060	3 369 040
Other operating expenses	2 363 333	1 848 970
Depreciation & amortization	3 877 776	3 580 949
Contributions in lieu of taxes	2 500 649	2 181 632
OPERATING EXPENSES	35 314 854	26 866 063
NET OPERATING REVENUE	5 502 808	8 050 836
Interest earnings on investments	1 043 387	1 241 324
Allowance for funds used during construction	246 000	196 800
Sale of timber & other	1 976 256	157 301
OTHER REVENUE	3 265 643	1 595 425
Interest expense & discount amortization	1 655 062	1 694 646
Allowance for borrowed funds used during construction	(129 000)	(103 200)
REVENUE DEDUCTIONS	1 526 062	1 591 446
UTILITY NET REVENUE	$ 7 242 389	$ 8 054 815

The accompanying notes are an integral part of this statement.

Electric Utility

Statement of Changes in Financial Position

For the Years Ended December 31, 1980 and 1979

	1980	1979
Net revenue for the year	7 242 389	8 054 815
Charges not requiring current funds		
Depreciation & amortization	3 952 146	3 755 397
Provided from operations	11 194 535	11 810 212
Increase in current liabilities	613 700	723 732
TOTAL GENERAL SYSTEM	11 808 235	12 533 944
Provided from operations—Depreciation & fuel amortization	7 029 512	5 278 158
Construction funds used		874 810
Deferred Trojan net billings	10 631 190	534 475
TOTAL TROJAN PROJECT	17 660 702	6 687 443
TOTAL UTILITY FUNDS PROVIDED	29 468 937	19 221 387
Additions to utility plant—Net	10 404 110	9 408 601
Long-term debt paid or currently maturing	1 690 000	1 630 000
Increase in receivables, materials & prepayments	3 153 470	120 423
Increase in construction funds	201 876	176 576
Other funds used—Net	1 633 773	280 918
TOTAL GENERAL SYSTEM	17 083 229	11 616 518
Additions to utility plant—Net	11 253 134	5 525 268
Increase in General fund	180 498	327 713
Increase in other segregated funds	30 023	39 771
Long-term debt paid or currently maturing	2 335 000	2 255 000
Changes in other items—Net	3 862 047	(1 460 309)
TOTAL TROJAN PROJECT	17 660 702	6 687 443
TOTAL UTILITY FUNDS USED	34 743 931	18 303 961
INCREASE (DECREASE) IN GENERAL SYSTEM CASH AND SECURITIES	$(5 274 994)	$ 917 426

The accompanying notes are an integral part of this statement.

Water Utility

Balance Sheet

December 31, 1980 and 1979

Assets

	1980	1979
Plant in service	39 095 653	36 776 135
Less—Accumulated depreciation & amortization	13 862 532	12 656 036
	25 233 121	24 120 099
Property held for future use	187 560	187 560
Construction work in progress	569 511	835 854
UTILITY PLANT	25 990 192	25 143 513
SEGREGATED BOND FUNDS	277 320	282 275
Cash & temporary investments	553 275	390 783
Segregated cash & securities for payment of debt service	493 725	488 800
Accounts receivable, less reserves 1980—$16,200; 1979—$16,914	392 412	339 586
Materials & supplies	441 123	676 725
Prepayments & special deposits	21 228	35 057
CURRENT ASSETS	1 901 763	1 930 951
Unamortized bond expense	13 746	15 593
Deferred charges & other	110 197	172 543
OTHER ASSETS	123 943	188 136
	$28 293 218	$27 544 875

The accompanying notes are an integral part of this statement.

Liabilities

	1980	1979
Balance beginning of year	11 691 607	10 667 129
Net revenue for the year	956 803	1 024 478
RETAINED EARNINGS	12 648 410	11 691 607
LONG-TERM DEBT	14 241 069	14 485 037
Accounts payable	524 129	530 856
Accrued payroll & vacation pay	281 955	235 341
Accrued interest on long-term debt	354 472	363 910
Long-term debt due within one year	243 183	238 124
CURRENT LIABILITIES	1 403 739	1 368 231
	$28 293 218	$27 544 875

Water Utility

Statement of Net Revenue

For the Years Ended December 31, 1980 and 1979

	1980	1979
Residential	2 613 363	2 358 265
Commercial & industrial	2 895 793	2 650 225
Other	46 463	37 047
OPERATING REVENUES	5 555 619	5 045 537
Source of supply, pumping & purification	719 492	593 209
Transmission & distribution	1 016 368	719 908
Administrative & general	753 639	659 000
Other operating expenses	396 119	446 319
Depreciation & amortization	1 184 950	1 055 232
OPERATING EXPENSES	4 070 568	3 473 668
NET OPERATING REVENUE	1 485 051	1 571 869
Interest earnings on investments	83 243	72 483
Allowance for funds used during construction	54 250	43 400
OTHER REVENUE	137 493	115 883
Interest expense & discount amortization	736 491	719 874
Allowance for borrowed funds used during construction	(70 750)	(56 600)
REVENUE DEDUCTIONS	665 741	663 274
UTILITY NET REVENUE	$ 956 803	$ 1 024 478

The accompanying notes are an integral part of this statement.

Water Utility

Statement of Changes in Financial Position

For the Years Ended December 31, 1980 and 1979

	1980	1979
Net revenue for the year	956 803	1 024 478
Charges not requiring current funds		
Depreciation & amortization	1 225 740	1 087 127
Provided from operations	2 182 543	2 111 605
Decrease (increase) in segregated cash & bond funds	14 031	(42 317)
Decrease (increase) in receivables, materials & prepayments	182 604	(222 850)
Decrease (increase) in other assets—Net	63 408	(71 369)
Increase in long-term debt		1 089 000
Increase in current liabilities	35 508	13 368
TOTAL FUNDS PROVIDED	2 478 094	2 877 437
Additions to utility plant—Net	2 072 419	2 480 321
Long-term debt paid or currently maturing	243 183	238 124
TOTAL FUNDS USED	2 315 602	2 718 445
INCREASE IN CASH AND SECURITIES	$ 162 492	$ 158 992

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

December 31, 1980

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

GENERAL—The Eugene Water & Electric Board, an administrative unit of the City of Eugene, Oregon, is responsible for the ownership and operation of the electric and water utilities. It has the authority to fix rates and charges for commodities or services furnished. The Board's policies conform to generally accepted accounting principles for public utilities and the accounting requirements of the Federal Energy Regulatory Commission. Significant policies are described below.

UTILITY PLANT AND DEPRECIATION—Utility plant is stated substantially at original cost. Cost includes labor, materials, payments to contractors, transportation and construction equipment use and indirect costs, such as employee benefits, general and administrative expenses, allowance for funds used during construction, less customer contributions.

The cost of additions, renewals and betterments are capitalized. Repairs and minor replacements are charged to operating expenses.

With minor exceptions, the cost of property retired and removal cost, less salvage, is charged to accumulated depreciation when property is removed from service.

Depreciation is computed using straight-line composite rates which are equivalent to approximately 3.1% of the Electric Utility General System and 3.2% of the Water Utility original costs of depreciable utility plant.

INVESTMENTS—U.S. Government securities included in various funds and in current assets are carried at amortized cost plus accrued interest which approximates market.

MATERIALS AND SUPPLIES—Materials and supplies are carried at average cost.

OPERATING REVENUES—Revenues are recognized when monthly cycle billings are made. No accrual is made for energy used between the cycle billing date and the end of the accounting period.

TROJAN PROJECT:

The Board has assigned to Bonneville Power Administration (BPA) and other public agency participants its 30% share of the output from the Trojan Nuclear Power Plant. The Board will receive payments and credits (net billings) equal to its share of all Plant costs and debt service whether or not the Plant is operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of Plant output. Since net billings may vary from expenses each year, they are recognized in each accounting period only to the extent of current expenses. Accordingly, there is no effect on net revenues of the Electric Utility, and the amounts of Trojan Project revenues and operating expenses are not included in the statement of net revenues. The accumulated excess of net billings over expenses is stated in the balance sheet as "Deferred Trojan Net Billings." Following is an analysis of changes in this account during 1980 and 1979:

	1980	1979
Total net billings	37 700 000	22 553 286
Add interest earned	2 045 304	1 722 350
Less		
Operation & maintenance expenses	13 238 638	9 537 460
Depreciation & amortization	7 029 512	5 278 158
Interest expense	8 845 964	8 925 543
Increase in Deferred Trojan Net Billings	$10 631 190	$ 534 475

Provision for depreciation is computed using the 6% sinking-fund method based upon an estimated service life of 33 years.

Nuclear fuel amortization is provided based on the quantity of heat produced for the generation of energy without provision for salvage value.

Estimated costs associated with decommissioning the Plant at the end of its useful life and permanent storage of spent fuel are currently being evaluated by the Board and BPA. These costs are Project costs and will be included in annual operating budgets for net billings when determined.

The Nuclear Regulatory Commission has accepted BPA's guarantee that the Board's share of Price-Anderson Act liabilities, if any are incurred, are net billable.

LONG-TERM DEBT:

	1980
General System Revenue Bonds	
Series A, 8-1-60 issue, 3-4%, due 1982-2004	17 923 000
Series B, 8-1-62 issue, 3%, due 1982	175 000
Series C, 8-1-66 issue, 4.35%, due 1982-99	3 520 000
Series D, 8-1-68 issue, 4.90%, due 1982-99	4 995 000
Series E, 11-1-75 issue, 5.50-6.50%, due 1982-90	6 210 000
	32 823 000
Less unamortized discount	239 335
	32 583 665
Trojan Nuclear Project Revenue Bonds, Series of 1977	
Serial Bonds, 3.70-5.75%, due 1982-90	61 625 000
Term Bonds, 5.90%, due 2009	83 700 000
	145 325 000
Less unamortized discount	2 351 289
	142 973 711
Electric Utility Long-Term Debt	$175 557 376
Water Utility System Revenue Bonds	
3-15-62 issue, 3.20%, due 1982-86	500 000
8-1-66 issue, 4.35%, due 1982-99	1 970 000
8-1-68 issue, 4-4.90%, due 1982-99	1 610 000
Debt assumed through annexation, 3.50-4.80%, due 1982-90	196 170
Water Utility System Revenue Bond Anticipation Notes	
1976 issue, 5.25%, due 7-1-81	9 000 000
1979 issue, 5.875%, due 7-1-81	1 000 000
	14 276 170
Less unamortized discount	35 101
Water Utility Long-Term Debt	$ 14 241 069

Total long-term debt maturities during the years 1982 through 1985 (exclusive of the Water Utility System Revenue Bond Anticipation Notes, which in 1981 the Board intends to retire by the issuance of Water Utility System Revenue Bonds, refinancing of the notes or other evidence of indebtedness) are as follows:

	Electric Utility		
	General System	Trojan Project	**Water Utility**
1982	1 370 000	2 435 000	243 301
1983	1 472 000	2 530 000	243 419
1984	1 415 000	2 645 000	247 478
1985	1 473 000	2 755 000	247 749

The Board has observed, performed and fulfilled its covenents and obligations as required by resolutions authorizing the issuance of revenue bonds, including the maintenance of net revenues available for debt service. In determining debt service coverage of the Electric System, all General System net revenues and Trojan Project Net Billings are available for General System debt service. However, the Board has covenanted to fix rates and charges so that General System net revenues are sufficient to pay debt service on all General System Bonds in order that Trojan Project Net Billings will be available for servicing the Trojan Project Bonds.

PENSION PLANS:

Substantially all employees are covered under the State of Oregon Public Employes Retirement System (PERS) plan and supplemental retirement plans. Pension expense for 1980 was $1,693,683 for the Electric Utility and $397,284 for the Water Utility (expense for 1979 was $797,580 and $187,580, respectively), including amortization of the unfunded liability for the present value of all past normal costs over a 30-year period. The Board's policy is to fund pension cost accrued. For the PERS and supplemental plans, based on the latest available actuarial reports as of December 31, 1979, the actuarially computed value of vested benefits was $6,763,000 and the market value of net assets available for benefits was $3,316,000. The assumed rate of return used in determining the actuarial computed value of vested benefits for the PERS and supplemental plans was 7.5% and 6%, respectively.

LITIGATION:

During 1977 and 1979, the Board intervened in lawsuits filed by the City of Portland against Bonneville Power Administration and by Portland General Electric Company against Bechtel Power Corporation. During 1980, legislation enacted by the Congress superceded the issues in the first action and the parties mutually agreed to dismiss the lawsuit. During March, 1981, the parties in the second action agreed to a settlement of the issues. The parties to both actions have stipulated the actions may be dismissed. There was no material financial impact on the Board resulting from the above litigation.

RECLASSIFICATIONS:

For comparability, certain 1979 amounts have been reclassified to conform with account classifications used in 1980. There was no effect on previously reported net revenue.

Financial Statement