



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson  
FROM: Cathy Bloom, Finance Manager  
Susan Eicher, General Accounting and Treasury Supervisor  
DATE: August 5, 2014  
SUBJECT: Second Quarter 2014 Financial Report  
OBJECTIVE: Information only

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## **Issue**

This memo provides a summary of operating results for the second quarter of 2014.

## **Background**

This information is provided to the Board on a quarterly basis to report the ongoing financial performance of both utilities. Below are key highlights relating to the attached reports.

## **Discussion**

### **Electric Utility:**

#### **Net Income:**

The 2014 budget anticipates net income at year-end of \$15.8 million. Year-to-date net income was \$18.9 million, an increase of \$3.4 million from last year. Operating revenue increased by \$11.9 million with \$7.4 million attributable to retail sales and \$4.5 million to wholesale and other revenue. Operating expenses increased \$6.5 million from last year due to increases in purchased power and transmission and distribution expense. Non-operating revenues decreased \$2.1 million from last year and non-operating expenses decreased by \$75 thousand. The projection for year-end net income is \$26.8 million.

#### **Operating Revenue:**

At the end of the second quarter, electric retail sales were \$7.4 million more than in 2013. Retail sales are projected to be under budget at year end. Total retail electric consumption through Q2 was 1.56% less than 2013 and 3.34% less than budget.

Wholesale and other sales were \$4.5 million more than last year at this time, and were \$17.0 million more than the seasonally adjusted budget. Sales volume was up 9.0% from last year, and prices were higher January and February of 2014 than last year. Overall wholesale revenue was up 15.1% from 2013. Wholesale and other sales combined have increase by 15.1%. Other sales include services and sales of RECs. The budget assumes stream flows of 90% of normal. Through June, actual stream flows were 98.6% of normal and the projection for year-end was 99.2%.

**Operating Expenses:**

Operating expenses were \$6.5 million higher than last year at this time and were at 51.4% of budget, with the increase due to purchased power, wheeling, and transmission and distribution expense. The increase in transmission and distribution is related to the February snow and ice storm. An application for FEMA funds to offset up to 75% the allowable storm expense was submitted and EWEB has been approved to receive \$1.3 million in FEMA funds. At this time in 2013, operating expenses were 47.4% of budget.

**Contribution Margin:**

Contribution Margin (CM) is the net of CM revenues and expenses. It is meant to express the amount that power activity contributes to supporting the fixed costs of the utility. CM revenue is made up of retail and wholesale sales plus other miscellaneous power revenue. CM expenses are purchased power, transmission, and fuel for International Paper generation. The CM realized through June was \$1.3 million better than budget. At this time, the year-end forecast shows a positive variance at year-end of \$6.6 million.

**Cash and Reserves Balances:**

Working cash is above target and all other reserves are at or higher than target as of the end of June. Working cash was well above the \$24 million target, and includes the year-to-date positive contribution margin variance for 2014.

**Financing:**

No financing is planned in 2014.

**Water Utility****Net Income:**

Water utility net income at year-end was budgeted to be \$5.6 million. Net income is generally higher in the summer months and lower or even a net loss in the fall and winter months. Year-to-date net income was \$4.7 million, compared to \$3.5 million at this time last year. The budget assumed consumption of 7.4 million Kgal. Projections for yearly consumption are currently expected to be on target.

**Operating Revenue:**

At the end of the second quarter, operating revenues were \$1.1 million higher than the previous year and about \$4.0 million above the seasonally adjusted budget. Sales have increased compared to last year at this time due to the February 2013 and 2014 rate increases. Pumping volume was also up about 4.4% over 2013 levels.

**Operating Expenses:**

Operating expenses were \$464 thousand lower than last year and were at 41.1% of budget. On average, year-to-date activity should be approximately 50% of the yearly budget. At this time in 2013, operating expenses were 42.9% of budget. All operating expense categories except for depreciation were below budget.

**Contribution Margin:**

Contribution Margin (CM) is the net of CM revenues and expenses. It is meant to express the amount that water sales activity contributes to supporting the fixed costs of production. CM revenue is made up of residential, commercial and industrial plus other miscellaneous sales, including sales to water districts. CM expenses are source of supply, pumping and purification. At this time, the year-end forecast shows a positive variance of \$5.0 million due primarily to better than projected in operating revenue and production costs running less than budget.

**Cash and Reserves Balances:**

Working cash as of June was \$3.6 million, slightly above the year-end target level of \$3.4 million. General cash levels are projected to exceed the targeted level of \$3.4 million by year-end. The capital improvement reserve is projected to end the year at target. The operating/self insurance funds are projected to end the year with the operating fund partially funded and the self insurance fund at target.

**Recommendation**

There is no specific recommendation or requested action.

**Eugene Water & Electric Board**  
**Cash Targets & Balances**  
**June 30, 2014**

CASH ACCOUNT	FINANCIAL POLICY REFERENCE	ELECTRIC SYSTEM			WATER UTILITY		
		TARGET FLOOR	TARGET CEILING	BALANCE 06/30/2014	TARGET FLOOR	TARGET CEILING	BALANCE 06/30/2014
<b>RESERVES</b>							
1) Operating Reserve	Rate Stability Policy	\$ 2,000,000	\$ -	\$ 2,021,190	\$ 1,000,000	\$ -	\$ 796,657
2) Self-Insurance Reserve	Rate Stability Policy	1,720,000	-	1,762,513	280,000	-	286,847
3) Power Reserve	Rate Stability Policy	13,200,000	-	13,334,210	-	-	-
4) Capital Improvement Reserve	Capital Reserve Policy	7,500,000	18,000,000	16,494,886	3,500,000	7,000,000	3,932,714
<b>RESERVES TOTAL</b>		<b>\$ 24,420,000</b>	<b>\$ 18,000,000</b>	<b>\$ 33,612,799</b>	<b>\$ 4,780,000</b>	<b>\$ 7,000,000</b>	<b>\$ 5,016,218</b>
<b>DESIGNATED FUNDS<sup>(1)</sup></b>							
5) Unallocated Power Fund		-	-	10,120,738	-	-	-
Water Stewardship Fund- Septic Repairs		-	-	-	-	-	82,435
Economic Development Loan Pilot Program Fund		-	-	1,600,932	-	-	28,848
Steam Transition Fund		-	-	-	-	-	-
Alternate Water Supply Fund		-	-	-	-	-	443,752
Harvest Wind Fund		-	-	26,891,655	-	-	-
Carmen-Smith Fund		-	-	15,689,209	-	-	-
6) Pension & Post Retirement Medical Fund		-	-	6,040,267	-	-	480,396
<b>DESIGNATED FUNDS TOTAL</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 60,342,801</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,035,431</b>
<b>CASH FOR OPERATIONS</b>							
7) Working Cash	Rate Sufficiency Policy	24,000,000	-	39,075,249	3,400,000	-	3,610,329
<b>CASH TARGETS &amp; BALANCES TOTAL</b>		<b>\$ 48,420,000</b>	<b>\$ 58,920,000</b>	<b>\$ 133,030,849</b>	<b>\$ 8,180,000</b>	<b>\$ 11,680,000</b>	<b>\$ 9,661,978</b>
<b>LEGALLY RESTRICTED</b>							
8) Bond Funds - Type II & III				25,079,875			5,569,680
System Development Charge Reserves				-			1,030,465
Reserves & Investments for Debt Service				23,835,018			4,896,129
Contribution in Aid				1,213,112			-
<b>RESTRICTED FUNDS TOTAL</b>				<b>\$ 50,128,005</b>			<b>\$ 11,496,274</b>

Financial Policy - Total Targets included in ceiling

- 1) Operating Reserve - for emergency operating costs.
- 2) Self-Insurance Reserve - reserve to pay for claims incurred during the year and target is based on the \$2 million self-insurance coverage limit.
- 3) Power Reserve - amount of reserves to offset fluctuations in purchased power costs related to market price variability, uncertainty in regard to hydro generation, customer load and annual budgeted reserve draws.
- 4) Capital Improvement Reserve - reserve for capital improvements and target is based on one years depreciation.
- 5) Unallocated Power Fund - funds available for one time expenditures. To be allocated based on Board direction.
- 6) No Target - Amount designated to fund Supplemental Retirement Plan, and PERS or OPEB Trust.
- 7) Working Cash - amount of cash needed to pay for ongoing operational costs during the year.

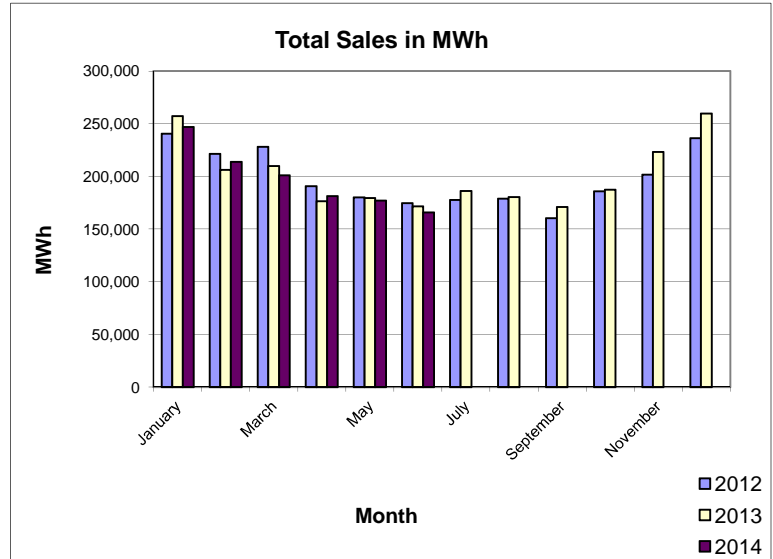
**Notes:**

<sup>(1)</sup> Designated funds are used for one time expenditures.

## Electric Utility Sales in MWh June 2014

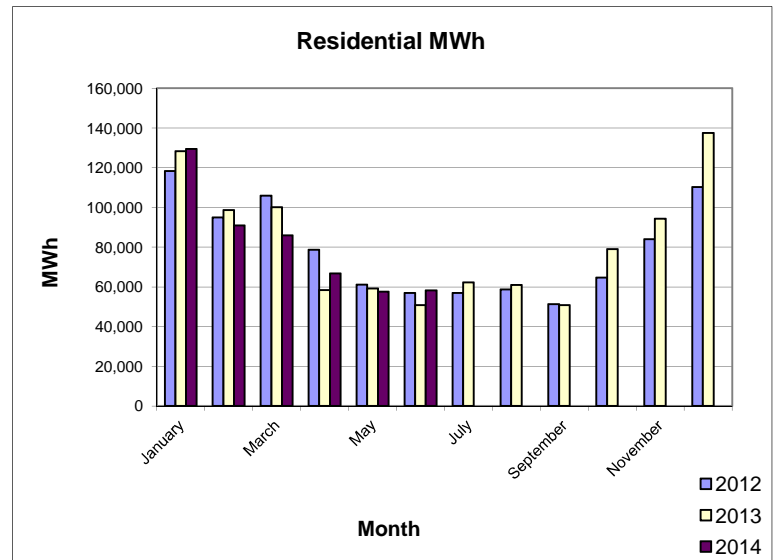
### Total Electric Utility Sales in MWh

	2012	2013	2014
January	240,373	257,093	246,897
February	221,301	206,073	213,721
March	228,123	209,892	201,085
Q1 total	689,797	673,058	661,703
April	190,510	176,531	181,338
May	179,943	179,544	176,849
June	174,557	171,487	165,859
Q2 total	545,010	527,562	524,046
July	177,718	186,179	0
August	178,883	180,320	0
September	160,149	170,968	0
Q3 total	516,750	537,467	0
October	185,806	187,228	0
November	201,486	223,065	0
December	236,220	259,701	0
Q4 total	623,512	669,994	0
Annual total	2,375,069	2,408,081	1,185,749



### Residential Sales in MWh

	2012	2013	2014
January	118,374	128,308	129,434
February	94,954	98,751	90,865
March	105,964	100,089	86,008
	319,292	327,148	306,307
April	78,633	58,331	66,739
May	61,146	59,174	57,652
June	56,895	50,849	58,311
	196,674	168,354	182,702
July	56,933	62,311	0
August	58,651	60,936	0
September	51,328	50,898	0
	166,912	174,145	0
October	64,742	79,087	0
November	83,974	94,314	0
December	110,327	137,467	0
	259,043	310,868	0
Total	941,921	980,515	489,009

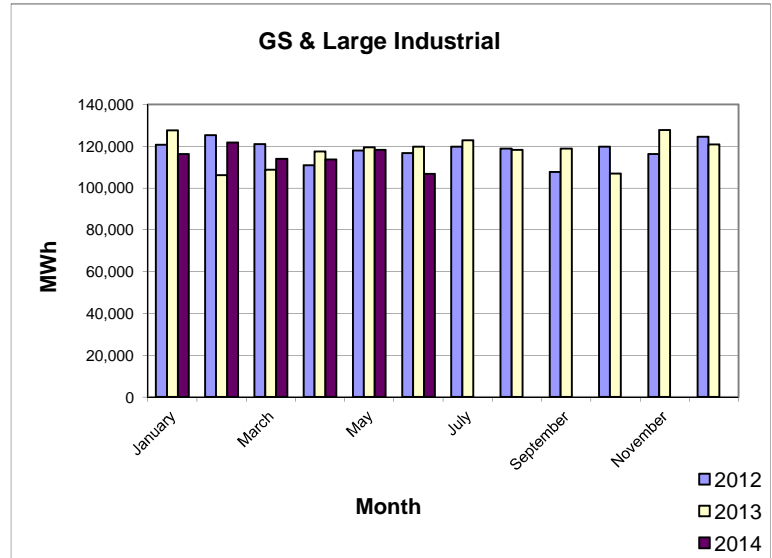


# Electric Utility Sales in MWh

## June 2014

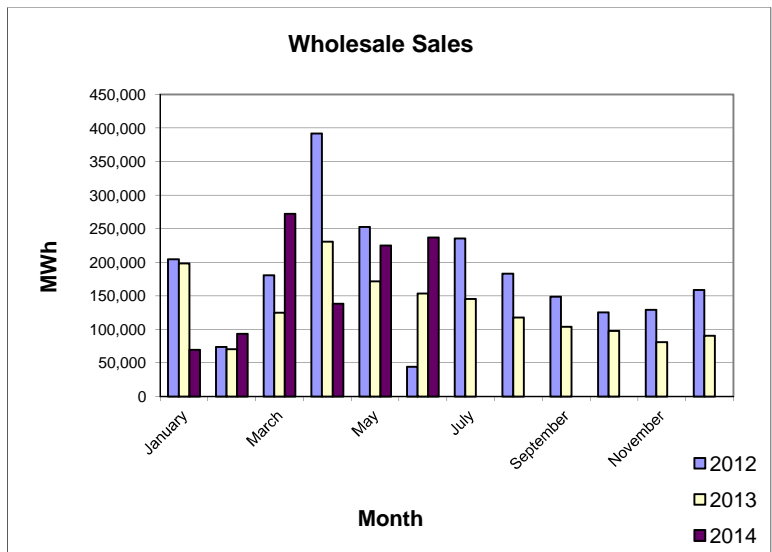
### General Service & Large Industrial Sales in MWh

	2012	2013	2014
January	120,705	127,580	116,239
February	125,266	106,201	121,842
March	121,056	108,764	114,007
	<u>367,027</u>	<u>342,545</u>	<u>352,088</u>
April	110,882	117,486	113,740
May	117,887	119,518	118,322
June	116,739	119,787	106,701
	<u>345,508</u>	<u>356,791</u>	<u>338,763</u>
July	119,760	122,885	0
August	118,835	118,305	0
September	107,697	118,943	0
	<u>346,292</u>	<u>360,133</u>	<u>0</u>
October	119,782	106,929	0
November	116,238	127,714	0
December	124,563	120,800	0
	<u>360,583</u>	<u>355,443</u>	<u>0</u>
<b>Total</b>	<u><u>1,419,410</u></u>	<u><u>1,414,912</u></u>	<u><u>690,851</u></u>



### Total Wholesale Sales in MWh

	2012	2013	2014
January	204,606	198,192	69,372
February	73,597	70,543	93,166
March	180,645	124,994	272,177
	<u>458,848</u>	<u>393,729</u>	<u>434,715</u>
April	391,978	230,512	137,930
May	252,453	171,488	224,853
June	44,137	153,436	237,088
	<u>688,568</u>	<u>555,436</u>	<u>599,871</u>
July	235,240	145,163	0
August	183,066	117,527	0
September	148,673	103,682	0
	<u>566,979</u>	<u>366,372</u>	<u>0</u>
October	125,449	97,400	0
November	128,963	81,125	0
December	158,694	90,633	0
	<u>413,106</u>	<u>269,158</u>	<u>0</u>
<b>Total</b>	<u><u>2,127,501</u></u>	<u><u>1,584,695</u></u>	<u><u>1,034,586</u></u>
Generation %	106%	97%	100%



**Eugene Water and Electric Board**  
**Electric System**  
**Statement of Net Position**  
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>December 2013</u>
<b>Assets</b>			
<u>Capital assets</u>			
Utility plant in service	\$ 707,482,265	\$ 688,238,774	\$ 706,852,202
Less - Accumulated depreciation	(361,909,781)	(345,723,052)	(352,189,557)
Net utility plant in service	<u>345,572,484</u>	<u>342,515,722</u>	<u>354,662,645</u>
Property held for future use	3,436,406	3,439,199	3,436,406
Construction work in progress	20,426,705	20,338,979	11,523,260
Net utility plant	<u>369,435,595</u>	<u>366,293,900</u>	<u>369,622,311</u>
<u>Current assets</u>			
Cash and cash equivalents	7,197,722	10,067,273	8,660,695
Short-term investments	31,877,526	21,631,703	17,792,962
Restricted cash and investments			
Debt service reserve	9,334,843	9,330,956	9,334,082
Customer deposit reserve	2,705,280	4,531,276	2,631,362
Harvest Wind escrow accounts	2,134,846	2,209,265	2,132,291
Construction reserve	26,292,987	29,250,938	18,068,918
Investments for debt service	14,500,175	11,931,072	9,331,859
Designated cash and investments			
Power reserve	13,334,210	13,274,898	4,278,925
Unallocated power fund	10,120,738	20,698,515	17,791,215
Capital improvement reserve	16,494,886	15,049,172	9,267,995
Carmen-Smith fund	15,689,209	20,021,065	13,029,188
Harvest Wind reserve	26,891,656	-	-
Operating reserve	5,384,635	8,030,048	6,128,477
Pension and medical fund	6,040,267	4,032,572	4,018,969
Receivables, less allowances	29,401,089	28,339,819	35,572,170
Due from Water System	858,024	839,727	848,767
Materials and supplies, at average cost	4,844,174	2,686,975	4,910,025
Prepays	8,174,294	8,530,688	8,628,194
Option premiums, short-term	714,800	612,401	1,120,600
Total current assets	<u>231,991,361</u>	<u>211,068,363</u>	<u>173,546,694</u>
<u>Non-current assets</u>			
Prepaid retirement obligation	11,488,510	12,432,770	11,960,640
Long-term receivable, conservation and other	4,764,837	5,038,351	4,801,343
Due from Water System	18,263,130	18,910,842	18,584,729
Long-term investments	-	-	44,580,415
Investment in WGA	(837,744)	1,302,851	(638,549)
Investment in Harvest Wind	26,876,568	28,023,029	27,571,629
Nonutility Property	9,847,459	7,769,216	9,310,036
Other assets	55,245,437	52,939,141	54,846,044
Total non-current assets	<u>125,648,197</u>	<u>126,416,201</u>	<u>171,016,287</u>

**Eugene Water and Electric Board**  
**Electric System**  
**Statement of Net Position**  
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>December 2013</u>
<b>Deferred Outflows</b>			
Deferred outflows of resources	3,255,140	725,403	2,936,267
 <b>Total Assets and Deferred Outflows</b>	 \$ 730,330,293	 \$ 704,503,866	 \$ 717,121,559
 <b>Liabilities</b>			
<u>Current liabilities</u>			
Payables	\$ 17,749,426	\$ 15,873,634	\$ 25,109,525
Accrued payroll and benefits	4,123,441	3,620,213	3,554,112
Accrued interest on long-term debt	5,252,925	5,434,959	5,257,768
Long-term debt due within one year	39,721,348	8,000,225	11,583,370
Total current liabilities	<u>66,847,140</u>	<u>32,929,030</u>	<u>45,504,775</u>
<u>Non-current liabilities</u>			
Long-term debt	266,916,766	306,388,439	296,008,315
Other liabilities	3,660,101	3,715,891	3,267,083
Total liabilities	<u>337,424,007</u>	<u>343,033,360</u>	<u>344,780,173</u>
 <b>Deferred Inflows</b>			
Deferred Inflows of resources	5,091,715	1,903,633	5,119,369
 <b>Net Position</b>			
Net investment in capital assets	159,124,182	148,965,153	149,739,166
Restricted	22,230,179	21,133,952	16,948,633
Unrestricted	206,460,210	189,467,768	200,534,218
Total net position	<u>387,814,571</u>	<u>359,566,873</u>	<u>367,222,017</u>
 <b>Total Liabilities, Deferred Inflows, and Net Position</b>	 \$ 730,330,293	 \$ 704,503,866	 \$ 717,121,559



**Eugene Water & Electric Board**  
**Electric System**  
**Statement of Revenues, Expenses and and Changes in Net Position**  
for the six months ended June, 2014 and 2013

	<u><u>2014</u></u>	<u><u>2013</u></u>
Residential	\$ 49,330,737	\$ 45,874,049
Commercial and industrial	47,359,189	43,417,056
Sale for resale and other	<u>34,463,597</u>	<u>29,931,397</u>
<b>Operating Revenues</b>	<u>131,153,523</u>	<u>119,222,502</u>
Purchased power	57,557,763	54,163,454
System control	3,269,717	3,233,009
Wheeling	6,398,375	5,887,702
Generation	5,845,384	5,336,469
Transmission and distribution	9,778,132	8,111,726
Customer accounting	3,995,013	4,206,123
Conservation expenses	1,347,585	1,842,321
Administrative and general	9,715,577	9,271,527
Depreciation on utility plant	<u>9,416,520</u>	<u>8,799,841</u>
<b>Operating Expenses</b>	<u>107,324,066</u>	<u>100,852,172</u>
<b>Net Operating Income (Loss)</b>	<u>23,829,457</u>	<u>18,370,330</u>
Investment earnings	438,761	392,395
Interest earnings, Water	572,322	516,526
Allowance for funds used during construction	32,679	23,786
Other revenue	<u>1,318,512</u>	<u>3,575,709</u>
<b>Non-operating Revenues</b>	<u>2,362,274</u>	<u>4,508,416</u>
Other expenses	981,426	886,926
Interest expense and related amortization	6,304,831	6,477,388
Allowance for borrowed funds used during construction	<u>(22,500)</u>	<u>(24,700)</u>
<b>Other Non-operating Expenses</b>	<u>7,263,757</u>	<u>7,339,614</u>
<b>Income (Loss) Before Capital Contributions</b>	18,927,974	15,550,511
Contributions in aid of construction	<u>1,664,581</u>	<u>920,897</u>
Increase (Decrease) in Net Position	20,592,555	16,471,408
Total net position at beginning of year	<u>367,222,016</u>	<u>343,095,465</u>
<b>Total Net Position at End of the Period</b>	<u><u>\$ 387,814,571</u></u>	<u><u>\$ 359,566,873</u></u>

## **Overview and Definitions – Statement of Revenues, Expenses in Net Position**

**Residential** – Retail sales to residential electric customers.

**Commercial and industrial**– Retail sales to commercial and industrial electric customers.

**Sales for Resale and Other** – Wholesale sales, power marketing services, REC and other miscellaneous sales.

**Regulatory credits – net** - Deferral of revenue from the current year and/or recognition of revenue previously deferred.

**Purchased Power** – Power purchases from BPA and wholesale counterparties.

**System Control** – Trading and dispatching of power sales and power purchases (including labor).

**Wheeling** – Fees for movement of power across transmission and distribution (T&D) lines not owned or under contract for general EWEB use.

**Generation** – Maintenance, labor and other fixed costs of power generation at EWEB hydroelectric sites and co-generation sites.

**Transmission and Distribution** – Labor and other costs to maintain T&D infrastructure and transport power and steam to customer sites.

**Customer Accounting** – Primarily the Customer Service function, also meter reading, bad debt expense and low-income assistance.

**Conservation Expenses** – Labor and other costs to provide energy saving measures to customers.

**Administrative and General** – Salaries and other expenses for management and support functions.

**Depreciation**– Systematic expensing of acquisition costs for all capital assets (fixed assets which degrade over time: buildings and equipment other than land).

**Investment Earnings** – Earnings on investments, including changes in market value while investments are held and changes in the market value of investment derivatives.

**Interest Earnings, Water** – Interest paid by the water utility to the electric utility for intercompany loans.

**Allowance for Funds Used During Construction** – Estimated financing costs associated with self-construction of assets. Costs are deferred/added to income and the asset balance then expensed over time through depreciation.

**Other Revenue** – Nonoperating revenues such as leases of real property and telecom, gains on disposals of assets, equity increases in WGA, and reimbursable work.

**Other Expenses** – Nonoperating expenses including amortization of conservation assets and losses on disposals of property.

**Interest Expense and Related Amortization** – Interest on debt and amortization of bond issuance costs, discounts and premiums.

**Allowance for Borrowed Funds Used During Construction** – Costs of borrowing for self-constructed assets. Costs are deferred/reducing interest expense and added to the cost of fixed assets for eventual expensing through depreciation.

**Contributions in Aid of Construction** – Payments from customers or contractors to offset the cost of new services.

**Contributed Plant Assets** – Value of plant assets that are constructed by contractors and donated to EWEB

**Net Position** – Accumulated equity

**Eugene Water and Electric Board  
Electric System  
Financial Ratios  
June 30, 2014**

	<b>YEAR-TO-DATE</b>		<b>TARGET</b>
	<b>2014</b>	<b>2013</b>	
<b>Current Ratio</b>	3.470	6.410	3.250
<b>Debt to Total Assets</b>	0.469	0.490	0.600
<b>Debt Service Coverage</b>	2.146	2.328	1.750
<b>Operating Ratio</b>	0.747	0.772	0.770
<b>Days Unrestricted Cash</b>	253	206	
<b>Days Available Cash</b>	127	133	90
<b>Debt to Equity</b>	68%	85%	91%

**Note that the debt service ratio methodology has been revised to include the Harvest Wind note payable due in May of 2015.**

**See next page for Ratio definitions and benchmark sources**

**Eugene Water and Electric Board  
Electric System  
Financial Ratios  
June 30, 2014**

**Current Ratio**

Total current assets to total current liabilities.

This ratio measures the utility's short-term liquidity (ability to pay bills).

**Debt to Total Assets**

Long-term debt plus current liabilities to total assets.

This ratio measures a utility's ability to meet its current and long-term liabilities based on the availability of assets.

**Debt Service Coverage**

Ratio of net revenues available for debt service to total long-term debt service for the year.

This ratio measures the utility's ability to meet its annual long-term debt obligation.

**Operating Ratio**

Total electric operation and maintenance expenses to total electric operating revenues.

This ratio measures the proportion of revenues received from electric sales and other electric activities required to cover operation and maintenance costs associated with producing and selling electricity.

**Days Unrestricted Cash (Rating Agency Model)**

Ratio of total unrestricted cash and cash equivalents

to average daily cash requirements for operating expenses (defined as yearly budgeted operating expenses net of depreciation divided by 365 days in the year).

This figure measures the length of time the utility can carry on normal operations with available unrestricted cash not otherwise designated for future capital needs.

**Days Available Cash (EWEB Internal Model)**

Ratio of total available cash (defined as working cash and equivalents plus general operating reserves) to adjusted average daily cash requirements for operating and other non-capital expenses

(defined as actual YTD expenditures plus remaining pro-rated budget expenses for the year divided by 365 days in the year). This is a modification of Days Unrestricted Cash measuring the length

of time (in calendar days) the utility can carry on projected non-capital related operations with readily available cash (defined as working cash and equivalents plus general operating reserves)

**Debt to Equity**

Ratio of total liabilities, net of current liabilities, to total equity (net assets), expressed as a percentage.

If the ratio exceeds 100% it means that outside borrowing (liabilities) exceeds the utility's own equity (net assets).

**Electric System  
Quarterly Projections  
(\$'s in millions)**

	Quarter 1			Quarter 2			Quarter 3		Quarter 4		Total Annual Budget	Total Annual Projection	Total Budget Estimate Variance
	Budget Estimate 3/31/14	Actual 3/31/14	QTD Variance 3/31/14	Budget Estimate 6/30/14	Actual 6/30/14	QTD Variance 6/30/14	Budget Estimate 9/30/14	Projection 9/30/14	Budget Estimate 12/31/14	Projection 12/31/14			
<b>Income Statement:</b>													
Operating revenues	\$ 65.5	\$ 70.0	\$ 4.6	\$ 55.5	\$ 61.1	\$ 5.6	\$ 51.7	\$ 66.9	\$ 59.5	\$ 70.3	\$ 232.1	\$ 268.3	\$ 36.2
Operating expenses	53.5	55.7	(2.2)	49.0	51.6	(2.6)	52.6	64.7	52.8	61.6	207.8	233.7	(25.8)
Net operating revenue (loss)	12.0	14.3	2.4	6.5	9.5	3.0	(0.9)	2.2	6.7	8.7	24.3	34.7	10.4
Other revenues	1.3	1.1	(0.2)	1.3	1.3	(0.0)	1.3	2.6	1.3	1.3	5.1	6.2	1.1
Other expenses	3.4	3.7	(0.3)	3.4	3.6	(0.2)	3.4	3.4	3.4	3.4	13.6	14.1	(0.5)
<b>Income (loss) Before contributed capital</b>	<b>\$ 9.8</b>	<b>\$ 11.7</b>	<b>\$ 1.9</b>	<b>\$ 4.4</b>	<b>\$ 7.2</b>	<b>\$ 2.8</b>	<b>\$ (3.0)</b>	<b>\$ 1.3</b>	<b>\$ 4.5</b>	<b>\$ 6.6</b>	<b>\$ 15.8</b>	<b>\$ 26.8</b>	<b>\$ 11.1</b>
<b>Contribution margin:</b>	<b>\$34.8</b>	<b>\$34.6</b>	<b>(\$0.2)</b>	<b>\$28.0</b>	<b>\$29.6</b>	<b>\$1.5</b>	<b>\$21.9</b>	<b>\$25.0</b>	<b>\$29.4</b>	<b>\$31.5</b>	<b>\$114.1</b>	<b>\$120.7</b>	<b>\$6.6</b>
<b>Capital activity:</b>													
Plant additions	\$ 4.1	\$ 3.6	\$ (0.5)	\$ 6.4	\$ 6.6	\$ 0.2	\$ 6.5	\$ 6.6	\$ 8.4	\$ 8.5	\$ 25.4	\$ 25.4	\$ -
Carmen Smith	0.3	0.2	(0.1)	0.6	0.4	(0.2)	0.8	0.9	1.6	1.8	3.2	3.2	-
Total capital	\$ 4.4	\$ 3.8	\$ (0.5)	\$ 6.9	\$ 7.0	\$ 0.0	\$ 7.3	\$ 7.5	\$ 10.0	\$ 10.3	\$ 28.6	\$ 28.6	\$ -
<b>Debt activity:</b>													
Payment of interest and principal	\$ 6.5	\$ 5.6	\$ (0.9)	\$ 6.5	\$ 6.9	\$ 0.5	\$ 6.5	\$ 5.6	\$ 6.5	\$ 6.9	\$ 25.8	\$ 25.0	\$ (0.8)
Proceeds from borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-
Total debt activity	\$ 6.5	\$ 5.6	\$ (0.9)	\$ 6.5	\$ 6.9	\$ 0.5	\$ 6.5	\$ 5.6	\$ 6.5	\$ 6.9	\$ 25.8	\$ 25.0	\$ (0.8)
	Budget Estimate 3/31/14	Actual 3/31/14	Variance 3/31/14	Budget Estimate 6/30/14	Actual 6/30/14	Variance 6/30/14	Budget Estimate 9/30/14	Projection 9/30/14	Budget Estimate 12/31/14	Projection 12/31/14	Total Annual Target/Budget	Total Annual Projection	Total Budget Estimate Variance
<b>Unrestricted cash:</b>													
Cash and cash equivalents	\$ 24.0	\$ 43.6	\$ 19.6	\$ 24.0	\$ 39.1	\$ 15.1	\$ 24.0	\$ 37.0	\$ 24.0	\$ 35.0	\$ 24.0	\$ 35.0	\$ 11.0
Power reserve	13.2	13.3	0.1	13.2	13.3	0.1	23.2	23.4	23.2	23.4	23.2	23.4	0.2
Unallocated power funds	-	21.8	21.8	-	10.1	10.1	-	0.1	-	6.6	-	6.6	6.6
Capital improvement funds	7.5	13.9	6.4	7.5	16.5	9.0	7.5	13.8	7.5	8.8	7.5	8.8	1.3
Operating and self-insurance funds	2.7	6.1	3.4	3.7	5.4	1.7	3.7	6.4	3.7	6.4	3.7	6.4	2.7
Pension and medical funds	-	4.0	4.0	-	6.0	6.0	-	6.0	-	5.9	-	5.9	5.9
Harvest Wind reserve	-	-	-	-	26.9	26.9	-	26.9	-	27.0	-	27.0	27.0
Carmen-Smith funds	-	20.0	20.0	-	15.7	15.7	-	15.7	-	15.7	-	15.7	15.7
Total unrestricted cash	\$ 47.4	\$ 122.8	\$ 75.4	\$ 48.4	\$ 133.0	\$ 84.6	\$ 58.4	\$ 129.3	\$ 58.4	\$ 128.9	\$ 58.4	\$ 128.9	\$ 70.5
<b>Restricted cash:</b>													
Customer deposits and other restricted cash	\$ -	\$ 4.8	\$ 4.8	\$ -	\$ 4.8	\$ 4.8	\$ -	\$ 4.8	\$ -	\$ 4.9	\$ -	\$ 4.9	\$ 4.9
Construction reserve	-	27.7	27.7	-	26.3	26.3	-	25.7	-	24.9	-	24.9	24.9
Investments and reserves for debt service	-	18.2	18.2	-	23.8	23.8	-	11.9	-	17.5	-	17.5	17.5
Total restricted cash	\$ -	\$ 50.8	\$ 50.8	\$ -	\$ 55.0	\$ 55.0	\$ -	\$ 42.4	\$ -	\$ 47.3	\$ -	\$ 47.3	\$ 47.3

**Footnotes:**

All numbers are presented in millions

Annual adopted budget is estimated by quarter. The projection includes actual results and estimated results for the balance of the year.

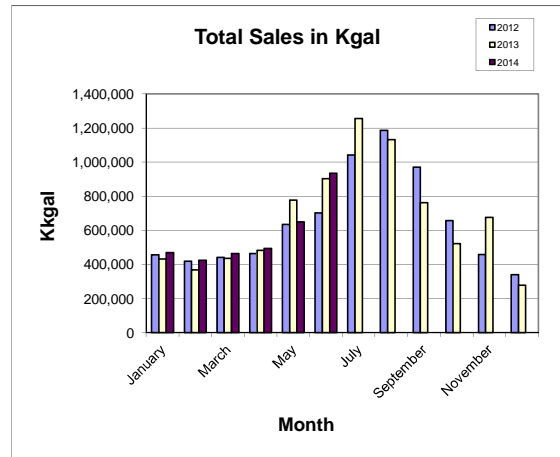
QTD variances are actual cumulative results compared to budget estimates for each quarter.

Total budget estimate variances compare actual results and projections through year-end to to the annual budget.

## Water Utility Sales in Kgal 2014

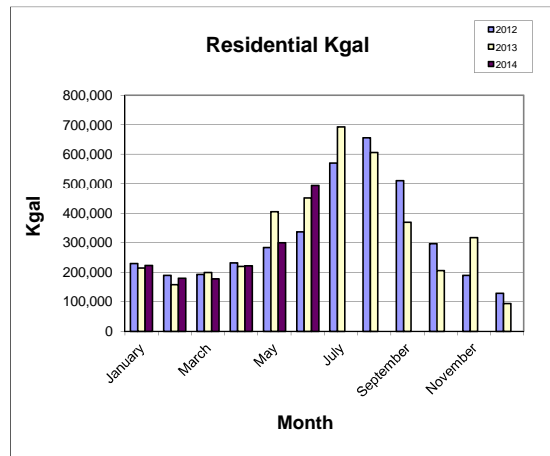
### Total Water Sales in Kgal

	2012	2013	2014
January	456,723	432,590	469,967
February	419,244	368,791	424,408
March	442,401	436,077	463,973
<b>Q1 total</b>	<b>1,318,368</b>	<b>1,237,458</b>	<b>1,358,348</b>
April	463,512	482,298	493,852
May	633,981	777,945	650,078
June	702,522	903,495	935,507
<b>Q2 total</b>	<b>1,800,015</b>	<b>2,163,738</b>	<b>2,079,437</b>
July	1,042,623	1,255,686	0
August	1,187,331	1,132,833	0
September	970,920	762,099	0
<b>Q3 total</b>	<b>3,200,874</b>	<b>3,150,618</b>	<b>0</b>
October	656,952	523,088	0
November	458,211	676,720	0
December	339,931	278,689	0
<b>Q4 total</b>	<b>1,455,094</b>	<b>1,478,497</b>	<b>0</b>
<b>Annual total</b>	<b>7,774,351</b>	<b>8,030,311</b>	<b>3,437,785</b>



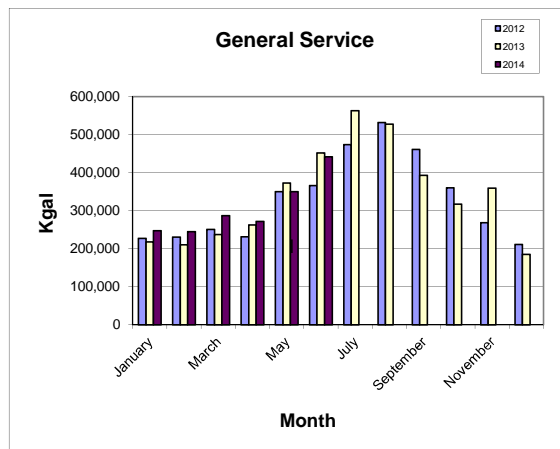
### Residential Sales in Kgal

	2012	2013	2014
January	229,790	214,316	222,490
February	188,850	157,996	179,454
March	192,009	199,000	176,867
<b>Q1 total</b>	<b>610,649</b>	<b>571,312</b>	<b>578,811</b>
April	231,678	219,449	221,689
May	283,710	404,918	300,111
June	336,946	451,444	493,850
<b>Q2 total</b>	<b>852,334</b>	<b>1,075,811</b>	<b>1,015,650</b>
July	569,350	692,568	0
August	655,596	605,424	0
September	509,996	369,368	0
<b>Q3 total</b>	<b>1,734,942</b>	<b>1,667,360</b>	<b>0</b>
October	296,821	206,009	0
November	189,396	317,555	0
December	128,668	93,757	0
<b>Q4 total</b>	<b>614,885</b>	<b>617,321</b>	<b>0</b>
<b>Total</b>	<b>3,812,810</b>	<b>3,931,804</b>	<b>1,594,461</b>



### General Service in Kgal

	2012	2013	2014
January	226,933	218,274	247,477
February	230,394	210,795	244,954
March	250,392	237,077	287,106
<b>Q1 total</b>	<b>707,719</b>	<b>666,146</b>	<b>779,537</b>
April	231,834	262,849	272,163
May	350,271	373,027	349,967
June	365,576	452,051	441,657
<b>Q2 total</b>	<b>947,681</b>	<b>1,087,927</b>	<b>1,063,787</b>
July	473,273	563,118	0
August	531,735	527,409	0
September	460,924	392,731	0
<b>Q3 total</b>	<b>1,465,932</b>	<b>1,483,258</b>	<b>0</b>
October	360,131	317,079	0
November	268,815	359,165	0
December	211,263	184,932	0
<b>Q4 total</b>	<b>840,209</b>	<b>861,176</b>	<b>0</b>
<b>Total</b>	<b>3,961,541</b>	<b>4,098,507</b>	<b>1,843,324</b>



**Eugene Water and Electric Board**  
**Water System**  
**Statement of Net Position**  
**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<u>December 2013</u>
<b>Assets</b>			
<u>Capital assets</u>			
Utility plant in service	\$ 222,830,654	\$ 211,243,237	\$ 221,915,523
Less - Accumulated depreciation	(97,275,568)	(92,192,127)	(94,453,719)
Net utility plant in service	125,555,086	119,051,110	127,461,804
Property held for future use	968,578	968,578	968,578
Construction work in progress	12,374,840	10,709,403	7,737,813
Net Utility Plant	138,898,504	130,729,091	136,168,195
<u>Current assets</u>			
Cash and cash equivalents	3,610,329	1,764,644	4,198,847
Restricted cash and investments			
Debt service reserve	2,367,671	2,366,685	2,367,478
Customer deposits and others	52,595	295	52,453
Construction fund	5,569,680	10,727,202	5,560,171
System development charge reserves	1,030,466	938,126	441,397
Investments for debt service	2,528,458	2,136,333	1,638,327
Designated cash and investments			
Capital improvement reserve	3,932,714	530,626	3,676,785
Alternative Water Supply	443,752	-	-
Operating reserve	1,194,786	382,192	386,253
Pension and medical reserve	480,396	-	-
Receivables, less allowances	5,135,883	4,975,696	3,486,690
Material and supplies, at average cost	1,027,285	725,924	1,064,553
Prepayments and special deposits	1,680,753	1,728,196	1,708,311
Total current assets	29,054,768	26,275,919	24,581,265
<u>Non-current assets</u>			
Investment - restricted	-	-	2,000,740
Prepaid retirement obligation	2,521,877	2,729,154	2,625,515
Other assets	1,500,341	1,279,871	1,512,925
Total non-current assets	4,022,218	4,009,025	6,139,180
<b>Deferred Outflows of Resources</b>			
Deferred Outflows of Resources	803,936	882,752	843,318
<b>Total Assets &amp; Deferred Outflows</b>	<u>\$ 172,779,427</u>	<u>\$ 161,896,787</u>	<u>\$ 167,731,958</u>



**Eugene Water and Electric Board**  
**Water System**  
**Statement of Net Position**  
**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<u>December 2013</u>
<b>Liabilities</b>			
<u>Current liabilities</u>			
Payables	\$ 642,448	\$ 724,151	\$ 1,506,492
Accrued payroll and benefits	931,325	792,034	716,923
Accrued interest on long-term debt	896,548	918,115	896,548
Long-term debt due within one year	1,780,000	1,325,000	1,780,000
Due to Electric System	858,024	839,727	848,767
Total current liabilities	<u>5,108,345</u>	<u>4,599,027</u>	<u>5,748,730</u>
<u>Non-current liabilities</u>			
Long term debt			
-note and bonds payable	47,714,572	49,513,716	47,724,145
Due to Electric System	18,263,130	18,910,842	18,584,729
Other liabilities	24,142	15,525	282,849
Total liabilities	<u>71,110,189</u>	<u>73,039,110</u>	<u>72,340,453</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources	642,448	311,103	628,804
<b>Net Position</b>			
Net invested in capital assets	78,925,296	74,907,727	78,008,145
Restricted	5,058,500	4,523,324	3,603,107
Unrestricted	17,042,994	9,115,523	13,151,449
Total net position	<u>101,026,790</u>	<u>88,546,574</u>	<u>94,762,701</u>
<b>Total Liabilities, Deferred Inflows &amp; Net Position</b>	<u>\$ 172,779,427</u>	<u>\$ 161,896,787</u>	<u>\$ 167,731,958</u>

**Eugene Water & Electric Board**  
**Water System**  
**Statement of Revenues, Expenses and Changes in Net Position**  
for the six months ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Residential	\$ 8,658,069	\$ 8,351,048
Commercial and industrial	6,985,238	6,289,874
Sale for resale and other	469,950	366,484
<b>Operating Revenues</b>	<u>16,113,257</u>	<u>15,007,406</u>
Source of supply, pumping and purification	1,347,249	1,392,215
Transmission and distribution	3,076,290	3,486,950
Customer accounting	691,273	686,520
Conservation expenses	86,492	98,454
Administrative and general	1,739,501	2,013,011
Depreciation on utility plant	2,810,803	2,538,854
<b>Operating Expenses</b>	<u>9,751,608</u>	<u>10,216,004</u>
<b>Net Operating Income (Loss)</b>	<u>6,361,649</u>	<u>4,791,402</u>
Investment earnings	42,543	30,364
Allowance for funds used during construction	23,070	16,632
Other revenue	156,055	512,591
<b>Non-operating Revenues</b>	<u>221,668</u>	<u>559,587</u>
Other revenue deductions	181,039	130,119
Interest expense and related amortization	1,141,464	1,172,938
Interest expense, Electric	572,322	516,526
Allowance for borrowed funds used during construction	(10,900)	(9,300)
<b>Non-operating Expenses</b>	<u>1,883,925</u>	<u>1,810,283</u>
<b>Income (loss) before capital contributions</b>	<u>4,699,392</u>	<u>3,540,706</u>
Contribution in aid of construction	615,023	450,632
Contributed plant assets	-	-
System development charges	949,674	661,838
<b>Capital Contributions</b>	<u>1,564,697</u>	<u>1,112,470</u>
Increase (Decrease) in net position	6,264,089	4,653,176
Total net position at beginning of year	<u>94,762,701</u>	<u>83,893,398</u>
<b>Total Net Position at End of Year</b>	<u>\$ 101,026,790</u>	<u>\$ 88,546,574</u>

## **Overview and Definitions – Statement of Revenues, Expenses and Net Assets**

**Residential** – Retail sales to residential water customers.

**Commercial and industrial**– Retail sales to commercial and industrial water customers, including Santa Clara and River Road Water Districts.

**Sales for Resale and Other** – Miscellaneous sale and other operating revenues, including Water District and Sewer service/billing charges.

**Source of supply, pumping and purification** - Costs of delivering water to distribution system.

**Transmission and Distribution** – Labor and other costs to maintain T&D infrastructure and transport water to customer meters.

**Customer Accounting** – Primarily the Customer Service function, also meter reading, bad debt expense and low-income assistance.

**Conservation Expenses** – Labor and other costs to provide water saving measures to customers.

**Administrative and General** – Salaries and other expenses for management and support functions.

**Depreciation**– Systematic expensing of acquisition costs for all capital assets (fixed assets which degrade over time: buildings and equipment other than land).

**Interest and Investment Revenue** – Earnings on investments, including changes in market value while investments are held.

**Allowance for Funds Used During Construction** – Estimated financing costs associated with self-construction of assets. Costs are deferred/added to income and the asset balance then expensed over time through depreciation.

**Other Revenue** – Non-operating revenues such as leases of real property, gains on disposals of assets, and reimbursements for work billed to customers.

**Other Revenue Deductions** – Non-operating expenses including amortization of prepaid retirement obligation and disposals of property.

**Interest Expense and Related Amortization** – Interest on debt and amortization of bond issuance costs, discounts and premiums.

**Allowance for Borrowed Funds Used During Construction** – Costs of borrowing for self-constructed assets. Costs are deferred/reducing interest expense and added to the cost of fixed assets for eventual expensing through depreciation.

**Contributions in Aid of Construction** – Payments from customers or contractors to offset the cost of new services.

**Contributed Plant Assets** – Value of plant assets that are constructed by contractors and donated to EWEB

**System Development Charges** – Charges collected from customers, primarily contractors and developers, for new water capital development.

**Net Assets – Accumulated equity**

**Eugene Water and Electric Board  
Water Utility  
Financial Ratios  
June 30, 2014**

	<u>YEAR-TO-DATE</u>		<u>12/31/2013</u>	<u>TARGET</u>
	<u>2014</u>	<u>2013</u>		
<b>Current Ratio</b>	5.688	5.713	4.276	3.250
<b>Debt to Total Assets</b>	0.415	0.453	0.431	0.600
<b>Debt Service Coverage - Annualized</b>	3.876	4.579	4.579	2.000
<b>Operating Ratio</b>	0.431	0.512	0.513	0.570
<b>Days Unrestricted Cash</b>	185	46	174	
<b>Days Available Cash</b>	89	36	94	90
<b>Debt to Equity</b>	65%	77%	70%	89%

**Note that the target ratios are based on annual results. Year-to-date amounts may vary from annual results.**

**See next page for Ratio definitions**

Eugene Water and Electric Board  
Water Utility  
Financial Ratios  
June 30, 2014

## Definitions

### Current Ratio

Ratio of current assets, net of designated SDC reserves, to total current liabilities.  
Measures the utility's short-term liquidity (ability to pay bills).

### Debt to Total Assets

Ratio of long-term debt plus current liabilities to total assets. Measures a utility's ability to meet its current and long-term liabilities based on the availability of assets.

### Debt Service Coverage

Ratio of annualized net revenues available for debt service to total long-term debt service for the year. This ratio measures the utility's ability to meet its annual long-term debt obligation.

### Operating Ratio

Ratio of total water operation and maintenance expenses to total water operating revenues.  
This ratio measures the proportion of revenues received from water sales and other water activities required to cover operation and maintenance costs associated with producing and selling water.

### Days Unrestricted Cash (Rating Agency Model)

Ratio of total unrestricted cash and cash equivalents, net of designated SDC reserves, to average daily cash requirements for operating expenses (defined as yearly budgeted operating expenses net of depreciation divided by 365 days in the year).  
This figure measures the length of time the utility can carry on normal operations with available unrestricted cash not otherwise designated for future capital needs (ie SDC reserves)

### Days Available Cash (EWEB Internal Model)

Ratio of total available cash (defined as working cash and equivalents plus general operating reserves) to adjusted average daily cash requirements for operating and other non-capital expenses (defined as actual YTD expenditures plus remaining pro-rated budget expenses for the year divided by 365 days in the year). This is a modification of Days Unrestricted Cash measuring the length of time (in calendar days) the utility can carry on projected non-capital related operations with readily available cash (defined as working cash and equivalents plus general operating reserves)

### Debt to Equity

Ratio of total liabilities, net of current liabilities, to total equity (net assets), expressed as a percentage.  
If the ratio exceeds 100% it means that outside borrowing (liabilities) exceeds the utility's own equity (net assets)

**Water System  
Quarterly Projections  
(\$'s in Thousands)**

	Quarter 1			Quarter 2			Quarter 3		Quarter 4		Total Annual Budget	Total Annual Projection	Total Budget Estimate Variance
	Budget Estimate 3/31/14	Actual 3/31/14	Qtrly Variance 3/31/14	Budget Estimate 6/30/14	Actual 6/30/14	Qtrly Variance 6/30/14	Budget Estimate 9/30/14	Projection 9/30/14	Budget Estimate 12/31/14	Projection 12/31/14			
<b>Income Statement</b>													
Operating revenues	\$ 5,362	\$ 6,741	\$ 1,379	\$ 7,424	\$ 9,372	\$ 1,948	\$ 13,720	\$ 14,543	\$ 6,100	\$ 6,466	\$ 32,607	\$ 37,123	\$ 4,516
Operating expenses	5,937	4,642	(1,295)	5,937	5,109	(828)	5,937	6,293	5,937	6,293	23,749	22,338	(1,410)
Net operating revenue (loss)	(575)	2,099	2,674	1,487	4,263	2,776	7,783	8,250	163	173	8,858	14,785	5,927
Non-operating revenues	86	86	(0)	86	135	49	86	95	86	95	345	412	66
Non-operating expenses	890	911	20	890	1,884	994	890	1,024	890	1,024	3,561	4,842	1,281
<b>Income (loss) Before contributed capital</b>	<b>\$ (1,379)</b>	<b>\$ 1,274</b>	<b>\$ 2,653</b>	<b>\$ 683</b>	<b>\$ 2,515</b>	<b>\$ 1,832</b>	<b>\$ 6,979</b>	<b>\$ 7,321</b>	<b>\$ (641)</b>	<b>\$ (756)</b>	<b>\$ 5,642</b>	<b>\$ 10,354</b>	<b>\$ 4,712</b>
Contribution margin	\$ 4,508	\$ 6,138	\$ 1,630	\$ 6,570	\$ 8,025	\$ 1,455	\$ 12,866	\$ 14,153	\$ 5,247	\$ 5,771	\$ 29,191	\$ 34,087	\$ 4,896
<b>Capital activity:</b>													
Plant additions - net of contributions	\$ 2,922	\$ 2,722	\$ (200)	\$ 2,922	\$ 2,677	\$ (245)	\$ 6,044	\$ 6,044	\$ 2,922	\$ 2,922	\$ 14,810	\$ 14,365	\$ (445)
<b>Total capital</b>	<b>\$2,922</b>	<b>\$2,722</b>	<b>(\$200)</b>	<b>\$2,922</b>	<b>\$2,677</b>	<b>(\$245)</b>	<b>\$6,044</b>	<b>\$6,044</b>	<b>\$2,922</b>	<b>\$2,922</b>	<b>\$14,810</b>	<b>\$14,365</b>	<b>(\$445)</b>
<b>Bond activity:</b>													
Debt service payments	\$ 1,424	\$ 1,424	\$ -	\$ 1,424	\$ 1,424	\$ -	\$ 1,424	\$ 1,424	\$ 1,424	\$ 1,424	\$ 5,696	\$ 5,697	\$ -
Bond proceeds - net	-	-	-	-	-	-	-	-	-	-	-	-	-
Total bond activity	\$ 1,424	\$ 1,424	\$ -	\$ 1,424	\$ 1,424	\$ -	\$ 1,424	\$ 1,424	\$ 1,424	\$ 1,424	\$ 5,696	\$ 5,697	\$ -
	Budget Estimate 3/31/14	Actual 3/31/14	Variance 3/31/14	Budget Estimate 6/30/14	Actual 6/30/14	Variance 6/30/14	Budget Estimate 9/30/14	Projection 9/30/14	Budget Estimate 12/31/14	Projection 12/31/14	Total Annual Budget	Total Annual Projection	Total Budget Estimate Variance
<b>Unrestricted cash:</b>													
Cash and cash equivalents	\$ 1,500	\$ 3,259	\$ 1,759	\$ 2,000	\$ 3,610	\$ 1,610	\$ 3,400	\$ 3,125	\$ 3,400	\$ 4,250	\$ 3,400	\$ 4,250	\$ 850
Capital improvement reserve	3,504	3,682	178	3,500	3,933	433	3,500	3,157	3,500	3,500	3,500	3,500	-
Operating and self-insurance funds	280	387	107	1,076	1,195	119	1,076	1,076	1,076	1,076	1,076	1,076	-
Pension and medical reserve	-	-	-	-	480	480	-	480	-	480	-	480	480
Alternative water source reserve	-	-	-	-	444	444	-	386	-	172	-	1,001	1,001
Total unrestricted cash	\$ 5,284	\$ 7,327	\$ 2,044	\$ 6,576	\$ 9,662	\$ 3,086	\$ 7,976	\$ 8,224	\$ 7,976	\$ 9,478	\$ 7,976	\$ 10,307	\$ 2,331
<b>Restricted cash:</b>													
Construction funds	\$ -	\$ 7,575	\$ 7,575	\$ -	\$ 5,570	\$ 5,570	\$ -	\$ 3,282	\$ -	\$ 1,856	\$ -	\$ 1,856	\$ 1,856
System development charge reserves	-	978	978	-	1,030	1,030	-	465	-	481	-	481	481
Investments for debt service	-	2,368	2,368	-	2,528	2,528	-	947	-	1,231	-	1,231	1,231
Total restricted cash	\$ -	\$ 10,921	\$ 10,921	\$ -	\$ 9,129	\$ 9,129	\$ -	\$ 4,694	\$ -	\$ 3,569	\$ -	\$ 3,569	\$ 3,569

**Footnotes:**

PLEASE NOTE, due to scale of dollar operations being much smaller than the Electric System, Water utility numbers are presented in thousands 2014 annual adopted budget is estimated by quarter. The projection includes Q1 actual results and estimated results for the remaining quarters. Budget estimate is adopted budget plus any budget amendments to date Quarterly variances are for those quarters only