



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Sue Fahey, Finance Manager; Anna Wade, Lead Financial Analyst  
DATE: April 22, 2016  
SUBJECT: Annual Report on Power Trading Compliance and Financial Results  
OBJECTIVE: Information Only

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## Issue

Board Policy SD8, Power Risk Management Policies, requires the Finance Manager to present a report to the Board at least annually that covers the policy's trading and contracting compliance and the financial results of power trading. This backgrounder provides that information for calendar year 2015. This reporting requirement is mandated in both the current policy as well as the redraft proposal included in this month's Board packet.

## Background

Oregon statutes stipulate the appropriate scope for a governmental agency's investment of "surplus funds." Accordingly, EWEB's activities in the power markets must be associated with the provision of electricity to meet anticipated sales and generation forecasts. Board Policy SD8 was developed to provide oversight control and guidance to the power trading operations.

## Discussion

***SD8.1 – Oversee the approval of all wholesale power trading accounts and counterparties to ensure creditworthiness: In Compliance***

Within the Energy Risk Management Guidelines, Power Risk Management Committee (RMC) requirements relating to counterparty creditworthiness and the monitoring thereof are prescriptively defined. On a monthly basis, the RMC monitors counterparty exposure relative to policy and approval limits. In the event of market price movement, changes in counterparty credit quality or commercial need, the RMC may approve exceptions to this policy. EWEB was in compliance with these procedures in 2015. As detailed in 2015 RMC actions below, compliance was maintained through exception authority on four occasions.

***SD8.1 – Review and approve retail contracts that are not subject to traditional retail tariffs: In Compliance***

Twice in 2015, the RMC approved contracts which did not require Board authority and were not subject to retail tariffs. Additional detail is provided in the RMC actions below.

### ***SD8.2 - Anti-speculation Statutes: In Compliance***

To comply with anti-speculation statutes, SD8 requires managing its average megawatt market positions so that exposure to prices is limited. Occasionally, changes to forecasts, load and/or generation result in SD8 position limits being exceeded. In those events, risk management control procedures require positions to be brought back into compliance no later than the next trading day unless preapproved by the Finance Manager and Power Operations Manager. EWEB was in compliance with this procedure in 2015. As detailed in the 2015 RMC Actions below, compliance was maintained through exception authority granted by the RMC on three separate occasions.

SD8 requires the mid-term position to be managed for a minimum of three years; however the RMC has adopted a more prudent practice of analyzing market position over a 5 year period.

### ***SD8.3 - Financial Exposure Limitation: In Compliance***

In addition to megawatt position limits, SD8 requires that controls be implemented to reduce the financial risk associated with market positions and ensure that results of trading activity combined with reserves provide funding capabilities to cover other Electric Utility expenditures. EWEB was in compliance with this policy in 2015. The RMC evaluates financial risk beyond the SD8 3 year minimum to encompass a 5 year time horizon.

### ***SD8.4 – Development of Detailed Control Procedures: In Compliance***

Board policy requires that the RMC develop detailed procedures and review them on an ongoing basis. Twice in 2015, the Energy Risk Management Procedures were updated and approved by the RMC. These updates are detailed in the 2015 RMC actions below.

### ***2015 RMC Actions***

In addition to reviewing compliance on a monthly basis, the following actions were taken by the RMC in 2015:

- For a select group of five counterparties, credit assignments were extended on an exception basis to provide adequate liquidity for 2019 and 2020 compliance trading on four occasions. These exceptions were provided on the grounds of either creditworthiness or supplemental credit support.
- The RMC approved execution of a Minimum Power Consumption Agreement. The Agreement would allow the user to pay half of the line extension costs up front, then spread the remaining line extension costs over a two year period via a minimum power consumption agreement. The agreement would ensure that the remaining half of the line extension costs are recovered over a two year period. This arrangement was created to encourage smart load growth as a result of conversations regarding diesel idling in the community versus electric consumption as a greener alternative.
- A settlement Agreement was approved relating to credit owed to EWEB relating to external party usage of the transmission and distribution assets of the Foote Creek wind project and substation.

- On three occasions during the year, the RMC granted extensions to cure compliance positions.
  - In January 2015, RMC approved a period of up to 4 months to cure a 2019 compliance position due to lack of counterparty interest and market liquidity.
  - The previous approval was extended due to an unsuccessful solicitation in April. In June, staff executed a 2019 calendar year trade which cured the compliance position. Throughout this period, staff were required to provide monthly updates to the RMC.
  - 2017 became out of compliance when new and lower BPA Block/Slice contract volumes were formally incorporated into EWEB's portfolio. Though approval was granted, the position was successfully cured the following day.
  
- The Energy Risk Management Procedures were updated and approved twice during 2015.
  - In June of 2015, the RMC adopted a new section of controls procedures into the Energy Risk Management Procedures. The 'Long-Term Resource Adequacy and Sufficiency Procedures' is intended to provide guidance and risk mitigation associated with potential resource supply shortfalls.
  - In December 2015, the Renewable Energy Credits provisions of the Energy Risk Management Procedures were updated and approved as a natural course of market maturity, business process and standardized oversight.

### **Recommendation and Requested Board Action**

This item is information only and no Board action is being requested at this time.



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Sue Fahey, Finance Manager; Anna Wade, Senior Financial Analyst  
DATE: April 13, 2016  
SUBJECT: Clearing Update  
OBJECTIVE: Information Only

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During a recent one on one discussion between Commissioner Mital and Interim General Manager Dave Churchman, a question arose around EWEB's efforts related to financial trading and clearing. Mr. Churchman was not sure of the specific details so he asked Ms. Fahey if she could provide an update, which was subsequently forwarded to Commissioner Mital. Commissioner Mital requested that Management share this update with all Commissioners as well in the event that you were also curious and to promote transparency. The following summary of actions to date and expectation for future potential are offered in response.

Management has long held an interest in clearing activities for both the operational liquidity and risk mitigation that could be achieved by executing transactions through a Forward Contract Merchant (FCM). Interest in this service intensified during the 2008 financial crisis as bilateral trade parties exited the market or came under financial distress and failed to meet EWEB's credit standards.

Based upon ongoing dialogue with industry partners, few entities of EWEB's size and charter have experience with clearing. At the potential for a market shift by the significant federal encouragement (and potential mandate) introduced in Dodd-Frank legislation and further evidenced by successful contract negotiation between BPA and an FCM service provider, EWEB staff issued a Request for Proposals (RFP) for clearing services on March 9, 2012. Three responses were received, with Jefferies Bache unanimously selected as the most responsive proposer. In fact, Jefferies was perceived by several selection committee members as the only qualified submission. Unfortunately, the negotiation process that followed was an extremely protracted process. Both EWEB and Jefferies were unaccustomed to the legal requirements and limitations of one another.

To further complicate matters, Jefferies experienced a series of corporate mergers and asset sales throughout the process. Not long before the RFP posted, Prudential Bache had been acquired by Jefferies Group. As the parties continued forward, Jefferies Group announced an all stock merger between Leucadia National Corporation, with Jefferies continuing to operate as a wholly-owned holding company of Leucadia. Contract standards, corporate flexibility and staffing were all in flux as the parties navigated the myriad contracts required to establish EWEB's account.

The parties successfully executed a Futures Account Agreement in August of 2014. In the months that followed, staff turned to the development of internal processes and controls, establishment of

accounts, as well as Board allocation of reserves.

Meanwhile, in early 2015, Societe Generale SA, France's second largest bank, agreed to take over most of Jefferies Bache clients. Jefferies was closing down the rest of the business that would not be taken over by Societe Generale. EWEB was notified that it was unlikely the bank would have interest in an account of EWEB's size.

Staff continue to monitor the potential for clearing or any other opportunities that would enhance the products and strategies currently employed in the prudent management of EWEB's portfolio. At this time, cost effective access to clearing services appear limited. Recently, in an "*Update and Overview of U.S. and Canadian Derivatives Reform*", Alexander Holtan of Sutherland Asbill & Brennan opined that central clearing has not proved to be a regulatory panacea for energy derivatives as intended. In fact, the number of FCMs has declined dramatically. The prolonged down turn in commodity prices has thinned margins, while regulatory oversight by the Commodity Futures Trading Commission has increased costs. For the remaining FCM providers, customer selectivity has increased and anecdotal evidence suggests that longer term liquidity is reduced even in clearing house trading.

Power risk staff continues to work diligently to develop and maintain a strong counterparty approval list for forward trading. Recent hedging activity has benefited from improved counterparty liquidity and greatly reduced the urgency for alternative trade execution venues at this time. That said, the market access EWEB currently enjoys could change under a variety of circumstances. The experience and knowledge gained throughout the contracting process with Jefferies, will better position management to react and respond more quickly to market illiquidity in the future.



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

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TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Lance Robertson, Public Affairs Manager  
DATE: April 22, 2016  
SUBJECT: Community investment report  
OBJECTIVE: Provide Board with overview of sponsorships, volunteerism and other community investment activity in 2015

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## **Issue**

In late 2014, Public Affairs developed and launched a Community Investment Strategy that provides consistent guidelines for how we invest our customers' dollars back into the community through volunteer work, sponsorships, grants and other contributions for the betterment and well-being of the community we serve.

The attached report provides the Board with an overview of the first year of the program. The attached spreadsheet lists sponsorships, donations, grants, event participation and other contributions, categorized by interest area or topic.

## **Background**

The Community Investment Strategy aims to achieve the greatest possible value to the community within the resources authorized by the Board through the annual budgeting process. To help the community and our own employees better understand the kinds of projects and initiatives we will invest in, Public Affairs created a web page that describes the guidelines in more detail. The guidelines can be found at:

<http://www.eweb.org/investment>

The attached report and spreadsheet provide a 2015 breakdown and more details of projects, donations, contributions to local governments and schools, volunteer work, in-kind services, and other initiatives under this program. As per the Board's recent adoption of a revised EL3, staff will provide the Board with an annual report summarizing sponsorships and other activities. This report and the spreadsheet are similar to the information we intend to provide you in March or April of each year. If you'd like to see the information presented in a different format, please contact me and we will make improvements for the 2016 report, in early 2017.

## **Recommendation and requested board action**

None. This is informational only.

Category	AGENCY	EVENT/PROGRAM	DESCRIPTION	AMOUNT	CATEGORY TOTAL
Contributions in Lieu of Taxes	City of Eugene General Fund	CILT	Portion of electricity sales revenue	\$ 12,507,614	
Contributions in Lieu of Taxes	City of Springfield	CILT	Portion of electricity sales revenue	\$ 591,255	\$ 13,098,868
Diversity/equity	Blacks in Government	Black History Month	Table sponsorship	\$ 675	
Diversity/equity	NAACP	Freedom fund	Table sponsorship	\$ 700	
Diversity/equity	NAACP Eugene	Annual picnic	Donate funds + water/jugs for BBQ; \$200 + in-kind	\$ 200	\$ 1,575
Drinking water quality/reliability	Lane County	Lane County Fair	Booth sponsorship \$900 payable thru SUB + in-kind use of water fountain and chiller + employee staff hours	\$ 900	
Drinking water quality/reliability	McKenzie River Trust	McKenzie Memories	Sponsorship	\$ 2,000	
Drinking water quality/reliability	McKenzie River Trust	Living River Celebration	Water Trailer + \$4,000 sponsorship	\$ 4,000	
Drinking water quality/reliability	Water for People	Wine for Water	Sponsorship of Wine for Water event	\$ 250	
Drinking water quality/reliability	Healthy Farms Clean Water	Local Food Connection	Support for local foods, esp. McKenzie farmers to market products	\$ 4,000	
Drinking water quality/reliability	Springfield schools	High School Water Quality Teams	Partnership with McKenzie Watershed Council	\$ 2,000	
Drinking water quality/reliability	Watershed Council		Education and outreach about urban stormwater runoff, both for McKenzie and alternative source supply	\$ 4,000	
Drinking water quality/reliability	Berggren Conservation Area	Berggren Conservation Area	Outdoor education support for riparian restoration	\$ 9,000	
Drinking water quality/reliability	McKenzie River Guides Association			\$ 1,000	
Drinking water quality/reliability	Butte to Butte	Butte to Butte	Table rental for water stations	\$ 165	
Drinking water quality/reliability	Upper Willamette Soil & Water Conservation District	Watershed science summer camps		\$ 5,000	\$ 32,315
Education	?	?	Ed Program Grant for building wind turbines program	\$ 2,500	
Education	?	Electrathon BLAST - Electric Vehicle race	Ed Program Sponsorship	\$ 1,000	
Education	Bethel School district	Education grant	Ed Program Annual grant	\$ 77,000	
Education	Eugene 4J School district	Education grant	Ed Program Annual grant	\$ 247,000	
Education	Eugene 4J School district	Equipment grant	Ed Program grant	\$ 18,800	
Education	Eugene 4J School district	Robotics Team	Ed Program Sponsorship	\$ 1,000	
Education	Eugene Education Fund		Ed Program Sponsorship	\$ 2,500	
Education	Eugene, Bethel, Springfield School Districts	Solar Challenge	Ed Program Grant for materials, training, curriculum	\$ 28,500	
Education	Lane Community College	Energy Management Program Grant	Ed Program Annual Grant	\$ 70,000	
Education	Lane Salmon Stewards	Salmon Watch	Ed Program Sponsorship	\$ 7,000	
Education	McKenzie School District	Education grant	Ed Program Annual grant	\$ 21,000	
Education	Springfield School District	Education grant	Ed Program Annual grant	\$ 47,000	
Education	Willamette High School	Kilowatt Classic EV race	Ed Program Sponsorship	\$ 1,435	
Education	?	EWEB Wind Turbine Challenge Event	Ed Program	\$ 7,600	
Education	Junior Achievement	Junior Achievement	Donation for youth financial education	\$ 4,200	\$ 536,535
Emergency Preparedness	RedCross	Emergency water containers	Donation from sale of emergency water containers	\$ 14,775	
Emergency Preparedness	Disaster Relief Trials	Disaster Relief Trials	Sponsorship in form of in-kind for staffing, disinfection of equipment and supplies @ water checkpoint	\$ 14,000	
Emergency Preparedness, Drinking water	Northwest Permaculture	2015 Convergence	Sponsorship of 2015 Convergence event, \$200, no expo	\$ 200	\$ 28,975
Energy Efficiency/Renewable	BRING Recycling	Home & Garden Tour	Volunteers requested; \$3337 sponsorship + 91 hours of intern time paid to Quantum Recruiters	\$ 3,337	
Energy Efficiency/Renewable	BRING Recycling	BRING RE:think Program	Sponsorship support	\$ 10,000	
Energy Efficiency/Renewable	Energy Management Services Weatherization	Funding split 50/50 with HACSA & EWEB	Limited Income Home Weatherization Services/Board-approved, rate funded program	\$ 500,000	\$ 513,337
Enterprise/sustainable development/jobs	Blue River Community Corp	RARE (Resource Assistance for Rural Environments)	Donation toward RARE resource to support McKenzie community development	\$ 2,000	\$ 2,000
Greenpower Grant	Bethel School district	Greenpower Grant	Gr Program Annual Grant	\$ 50,000	
Greenpower Grant	Berggren Demonstration Farm	Greenpower Grant	Gr Program Annual Grant	\$ 50,000	\$ 100,000
Safety Net	EWEB Limited Income program	ECC, ECCP (approx. 50/50 split)	Limited Income Energy Assistance/Board-approved, rate funded program	\$ 1,500,000	
Safety Net	Catholic Community Services	Great Hour of Caring	Sponsorship annual breakfast	\$ 250	
Safety Net	United Way	Campaign Kickoff	Sponsorship annual breakfast	\$ 600	
Safety Net	St Vincent dePaul	Moment in Time	Sponsorship First Place Family Center fundraiser event, Oct. 22	\$ 950	
Safety Net	St Vincent's DePaul	Lane County Standown	Veterans - medical services, job fair, clothing, breakfast	\$ 1,500	\$ 1,503,300
<b>TOTAL</b>				<b>\$ 15,816,905</b>	<b>\$ 15,816,905</b>



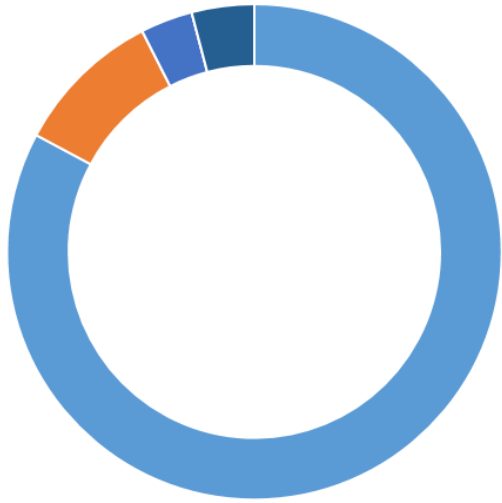
# Eugene Water & Electric Board

## 2015 Community Investment Report





Total: \$15,816,905



- Contributions in lieu of taxes: \$13,098,868
- People: \$1,533,880
- Economic & workforce development: \$538,535
- Environment: \$645,652



## Water, Power – and People

As a customer-owned utility, EWEB’s commitment goes beyond the water and power we deliver. Throughout EWEB’s 105-year history, the utility has remained vitally connected to the people and neighborhoods we serve.

Since 1943, EWEB has contributed a portion of electricity sales revenue to the cities of Eugene and Springfield in the form of “Contributions in Lieu of Taxes” or CILT. In 2015, more than \$13 million supplemented the cities’ general funds, supporting critical services like public safety.

EWEB also gives back in the form of grant funding, local sponsorships, charitable giving, and employee volunteerism. In 2015, the utility gave more than \$2.6 million to meet local needs in education, energy assistance and environmental protection. That total includes more than \$500,000 in grants to local school districts and the awarding of \$100,000 as part of our Greenpower grant program.

Our employees volunteered more than 650 hours in the community at EWEB-sponsored events, and donated close to \$50,000 to local non-profit organizations.

EWEB’s signature community event, the Run to Stay Warm, raised more than \$45,000 in 2015 – bringing the total to more than \$184,000 to assist low-income families.

In keeping with EWEB’ public mission, we strive to be good stewards of the resources entrusted to us and to prioritize programs that align with the utility’s mission. Some of the other beneficiaries of our sponsorships, event participation and volunteerism include Food for Lane County, Butte to Butte, Veteran’s Housing Project, St. Vincent de Paul, McKenzie River Trust, and NAACP Lane County.

# A Sense of Community



## Investment priorities

EWEB powers a vibrant community by funding programs that support our investment priorities: people, economic and workforce development, and environment.

### People

#### Community Safety Net

Helping people regain stability in times of hardship.

#### Diversity

Increasing equity, diversity and opportunity in our community.

#### Emergency Preparedness

Encouraging personal preparedness and a disaster-resilient community.

### ECONOMIC AND WORKFORCE DEVELOPMENT

#### Education

Inspiring and preparing students to succeed in careers of the future.

#### Enterprise

Partnering to create jobs in the community through sustainable business growth and retention.

### ENVIRONMENT

#### Water

Highlighting the importance of drinking water systems, promoting water quality and reliability, and encouraging stewardship of resources for future generations.

#### Energy

Promoting energy efficiency and renewable energy projects.





## Run to Stay Warm

The Run to Stay Warm symbolizes so many of the things that are important to EWEB and our employees – community, caring for customers, health and wellness, teamwork, and fun.

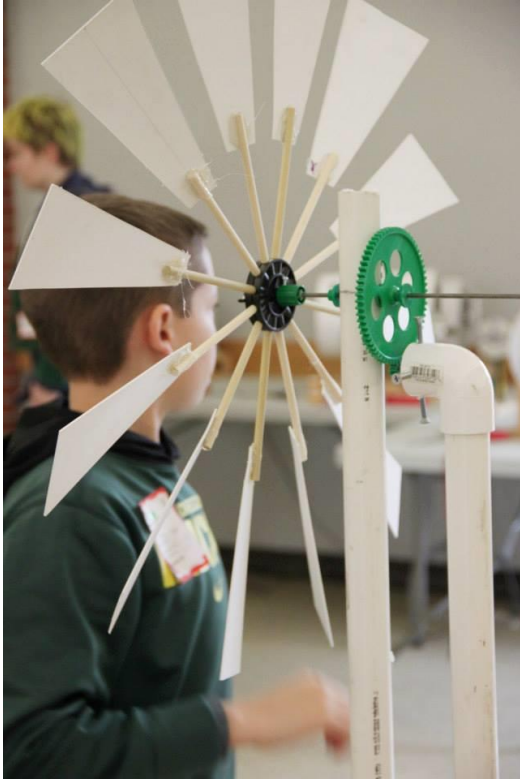
Year after year, EWEB's Run to Stay Warm attracts more participants and sponsors, helping to raise more money for our neighbors in need. 2015 was no different and far exceeded any expectations.

Here's a look back at the record-breaking year:

- More than 1,300 people registered for the event (the age range spanned from four years old to 81 years old!)
- A total of 1,200 people crossed the finish line
- 60 EWEB employees volunteered over 160 hours during the weekend of the event
- Seven businesses provided cash sponsorships totaling \$9,500
- Net proceeds raised = \$45,240
- Total raised to date = \$184,000

A week before the 2015 event, a customer in the EWEB lobby said, "Run to Stay Warm goes to the Customer Care program? That program helped me last year. I think I'll participate this year."

There you have it — giving customers help when they need it so they can turn around and pay it forward for others. That's the reason we do this.



## The power of learning

We know that education is a critical ingredient for a healthy, prosperous community. For many years, EWEB has provided support for educational initiatives that emphasize math, science, electric safety, energy efficiency and environmental stewardship. Our support comes in the form of grant funding for energy and water education activities, developing curriculum, hosting career fairs, and giving classroom presentations. Investing in our communities through education also creates a pipeline for EWEB's future workforce.

### School district education grants

The EWEB Education Grant Program provides funding for water and energy education activities in four area school districts:

- Eugene School District 4J
- Springfield School District
- Bethel School District
- McKenzie School District

The utility currently dedicates over \$500,000 annually to fund these water and energy education activities. Each year, our program supports projects such as:

- Raising salmon in the classroom
- Building wind turbines
- Building solar race cars
- Hands on science kits

### Lane Community College – Energy Management Program

The Energy Management Program at Lane Community College offers a two-year degree that prepares students for a career in the energy management field. EWEB provides LCC with an annual grant of \$70,000 that makes up the base funding for the program and contributes to the community's skilled workforce.





## EWEB Night at Food for Lane County

Employee volunteerism is an integral part of EWEB's commitment to the community where we live and serve. Since 2008, our employees have pledged one evening every month to EWEB Night at Food for Lane County.

That's a total of a more than 1,700 volunteer hours, with over 200 hours in 2015 alone.

Like many of our employee volunteer programs, EWEB Night at Food for Lane County began with a small group of employees looking for a way to be more involved in the community. A one-time volunteer event evolved into a monthly occasion, that quickly became an EWEB tradition.

Jenny Henry from our Customer Service area, has been the EWEB Night at Food for Lane County leader and organizer for several years. Jenny's enthusiasm and tireless commitment help to attract an eager team of volunteers every month.

It's common for Jenny and her team to pack more than 2,000 of pounds of food in a single night. That amounts to more than 21,000 servings!

That may sound like a daunting task, but many hands make light work. Not only do these dedicated volunteers contribute to Food for Lane County's vision of a hunger-free community, they also share a sense of fun and teamwork that makes EWEB a great place to work.





*"The customer was speechless at first. She said never in her 91 years has anyone done anything like this for her. She couldn't stop thanking us for helping with her bill and wants everyone to know how much it means to her."*

*- Cindy Eubank,  
Customer Service*



2015 HHUGs

\$4,300

13 customers

*"HHUG gives us amazing stories of how employees are supporting our community. I am proud to work here."*

*- Kristen Langham, Public Affairs*

## Energy Assistance

EWEB serves nearly 90,000 customers, but there are many who can't afford electric or water service without assistance.

We care about the well-being of all community members and in the importance of lending a helping hand. For more than 20 years, EWEB has provided assistance to low-income families who are struggling to pay their utility bills.

### Limited Income Customer Care Program

EWEB offers a number of programs to help income-eligible customers. We commit more than \$2 million each year to limited income programs, or about 1 percent of retail electric revenues. This level of funding is one of the highest in the nation, on a per capita basis. More than 4,000 households are helped each year.

### Limited Income Home Weatherization Services

Through grants and zero-interest loans, EWEB's weatherization services in 2015 helped 100 limited income homeowners reduce waste and lower their monthly bills through improved insulation, high efficient windows and doors, and ductless heat pumps.

### Employee inspired giving

While EWEB's Customer Care Program is a valuable safety net for limited income customers, it can't catch everyone. A group of EWEB employees in 2012 began a grassroots program called Helping Hand Utility Gift (HHUG). Inspired by stories of customers in crisis and of EWEB staff occasionally paying customer bills out of their own pockets, the HHUG team decided to start a fund and raise money through bake sales, silent auctions and other employee events.

In 2015, HHUG paid more than \$4,300 in customer bills. Most HHUG recipients are elderly, ill, or have experienced a tragic loss. They are folks who, through no fault of their own, are experiencing a crisis or hardship and need a helping hand.

## Watershed Protection

The main goal of EWEB's source protection program is to measure the balance between watershed health and human use over time, and to take steps to maintain a healthy balance for exceptional water quality.

EWEB aims to protect the McKenzie River as a reliable source of drinking water for present and future generations. Specific objectives are:

- Prevent, minimize and mitigate activities that have known or potentially harmful impacts on source water quality
- Promote public awareness and stewardship of a healthy watershed in partnership with others

Protecting our drinking water source also helps EWEB to avoid future expenses such as increased treatment costs, new water treatment methods to deal with contaminants, and dealing with the effects of potential hazardous material spills.

EWEB contributed more than \$32,000 in 2015 to protect and honor the McKenzie River, the sole source of drinking water for approximately 200,000 people. That investment was used to:

- Connect farmers, ranchers, and fishermen with area food buyers - creating business opportunities that support and sustain our local food system.
- Help local students learn about water quality and habitat protection.
- Supported programs and events that highlight the importance of drinking water systems and encourage stewardship of resources for future generations.

EWEB employees take great pride in our water quality. Every summer, employees and family members return for the McKenzie River Clean-up. In 2015, 20 EWEB volunteers participated in the annual event.



*Above: EWEB's 2015 McKenzie River clean-up volunteer crew (employees and families).*

*Left: The U.S. Forest Service in 2015 recognized EWEB Environmental Supervisor Karl Morgenstern with a national watershed protection award for his efforts to protect the McKenzie River and the public and private lands it runs through. Accomplishments noted by the awards panel included EWEB's McKenzie Watershed Emergency Response System, the utility's Septic System Assistance Program, the Healthy Farms Clean Water program, EWEB's contributions to the Berggren Demonstration Farm and the Voluntary Incentive Program.*







## Raise a glass to HHUG

They say the best wines are those we drink with friends. But perhaps even better are the wines that lend a helping hand to those in need. In 2015, HHUG's second annual wine sale raised \$2,300. John Franklin and Shane Buck of water operations were featured on the label.



## Volunteers rock the Butte to Butte

EWEB has a long-standing tradition of hydrating thousands of thirsty runners at the annual 4<sup>th</sup> of July Butte to Butte. Volunteers are out there early with smiles and cheers for the runners.



## Partners in preparedness

For a third year, EWEB offered emergency water storage containers at a discounted price, to remind customers of the importance of preparing for a major earthquake or another calamity. EWEB donated the \$5 purchase price to local American Red Cross emergency efforts.



## Hard hats meet "Oscar the Bird"

EWEB celebrated Public Power Week 2015 with "Power Readers" at local elementary schools, preschools and the Eugene Public Library. EWEB line technicians read to kids about electricity and safety.

## 2015 by the numbers

**\$45,239**

Raised by Run to Stay Warm

**\$13M**

Contributions in Lieu of Taxes

**\$47,348**

Employee Charitable Giving Donations

**\$12,935**

School programs & sponsorships

**664**

Employee Volunteer Hours at EWEB events

**\$16,000**

Water quality education programs

**13**

Customers HHUGed

**250**

Trees planted

**\$519,400**

K-12 education grants

**1,495**

Students reached through classroom presentations & tours

**16**

Student tours of Hayden Bridge Water Plant

**\$4,300**

Customer bill donations by employees

**\$100,000**

Renewable energy project grants

**\$17,337**

Sponsorships for community events

**\$1.5M**

Limited Income Energy Assistance

**\$500,000**

Low income weatherization programs

**100**

Customers helped through low income weatherization

**4,000**

Families helped through Energy Assistance

## Our partners

We believe that collaborating with employees, customers, and non-profit organizations is the most effective way to address the community challenges. Here's a snapshot of the variety of partners we supported in 2015.

4J School District

Bethel School District

Berggren Demonstration Farm

Blue River Community Corporation

BRING Recycling

Catholic Community Services

City of Eugene

EarthShare Oregon

Food for Lane County

Friends of Trees

Housing and Community Services Agency (HACSA) of Lane County

Junior Achievement

McKenzie River Trust

McKenzie School District

NAACP Eugene

Northwest Permaculture

Red Cross

Springfield School District

St. Vincent DePaul

United Way Lane County

Water for People

## 2015 program improvements

EWEB in 2014 began a project aimed at updating our approach to community investment, which includes fundraising activities, employee volunteerism, community service projects, events, sponsorships and donations.

The goal of this project was to formalize a community investment strategy that: (1) makes a positive contribution to our community, (2) in ways that are consistent with EWEB's mission and goals, and (3) enhances employee engagement.

In 2015 we made good progress on implementing a more formalized program that:

- Has high impact/value to the community
- Supports business objectives
- Calibrates with budgetary, resource, and bandwidth realities
- Is transparent and measurable

### Strategy and integration

As part of the Community Investment strategy development work, a project team invited employees and a customer stakeholder group to provide input to help shape EWEB's program priorities and policies moving forward. Using this feedback, an internal team defined focus areas for EWEB's Community Investment Program. Investment priorities areas align with the utility's mission and goals, and define the overall direction of EWEB's community investment program.

### Governance

In 2015, we initiated a Community Investment Team that reviews all requests for resources (sponsorship, donations, employee volunteers, etc.) and vets those requests based on EWEB's giving priorities.

### Transparency and consistency

The team developed a new process for community members to request support from EWEB. Requests are vetted and tracked, and the team is responsible for collecting metrics and reporting out on EWEB's community investment program.

## A heartfelt thank you

To all the EWEB employees who gave your time or dollars in 2015, we thank you.

Just by the nature of our work, we serve the community. Providing vital products and services is a job we take pride in.

But for many of you, community investment goes well beyond the day-to-day work. You take giving to heart. You serve on boards and committees, volunteer in schools, churches and non-profits, advocate for important social and environmental issues, and continually work to improve quality of life in the community.

If you volunteered or donated, you chose to give up something of yours and expend it to help others. We want you to know just how much you are appreciated.

Thank you for living our shared value of caring about the community and the environment.

-EWEB's Community Investment Team







# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning, and Mital  
FROM: Mel Damewood, Engineering Manager  
DATE: April 22, 2016  
SUBJECT: EL1 Capital Report for Q1 2016.  
OBJECTIVE: Information Only

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## **Issue**

As per EWEB's EL1 Financial Policy that was approved on February 4, 2014, EWEB staff has prepared and attached the 2016 Q1 EL1 Capital Reports for Electric, Water, and Shared Services for the Board.

## **Background**

According to Financial Policy EL1:

Throughout the year, staff will provide the Board with quarterly financial reports that compare actual results with budget. Additionally, staff will provide the Board with quarterly updates for all current year projects on the Capital Improvement Plans. General Capital Renewal and Replacement projects (Type I) will be reported by category (e.g., substations, shared IT infrastructure, transmission & distribution mains). Infrastructure Rehabilitation & Expansion (Type II) and Strategic Projects (Type III) will be reported individually. Type II and III projects are further defined as those that are projected to be greater than \$1 million for the life of the project.

Management has attached three reports, Electric, Water and Shared Services Capital Q1 results for the Board's review.

## **Discussion**

The first quarter of 2016 is off to a good start. Although many projects have not yet started into the construction or high spending rates due to their schedule, most project are tracking well. As mentioned in the Capital True Up on April 19, 2016, there are a few projects to keep monitoring closely; below is a discussion of those projects:

## **Water**

As discussed at the Capital True Up, we are closely monitoring the Water Main Replacement, Improvement and Transmission -Type 1 project. Spending to date is tracking on schedule and is important to pace in order to not over or under commit water construction crew schedules.

The Willamette 800 reservoir repair project was deferred until 2018. This was done to help balance the available amount of funding and priorities. Concerns about pushing the funding out and causing a financial spending bubble in the future will be controlled by staying within the current Long Term Financial Plan projections for the Water Utility. Priorities will be reassessed and balanced in order to accomplish this goal.

Overall, Water has \$15,057,000 budgeted for capital in 2016 (Adjusted from April 19<sup>th</sup> True up) and anticipates to spend that full amount. Again, as stated in the True-Up, engineering's target is to attain at least 90% expenditures of the capital budget amounts.

## **Electric**

Type 1 projects are moving forward with some advanced spending on PUC and neutral upgrade work, trending ahead of schedule in anticipation that the balance of the year will be spent on the LTD EmX project for electric.

In Type 2 projects, the Leaburg Roll Gate Projects are trending on schedule and budget, and Roll Gate #3 should start construction this late spring. There are some punch-list items being conducted with Roll Gates #1 and #2 in 2016, which show unbudgeted expenditures. These expenditures are planned to be covered through the Roll Gate #3 budget, where overall underspending is anticipated. Significant underspending occurred in 2015 with the LTD EmX project, which has been delayed due to property and easement acquisitions, however contractor work is progressing and EWEB electric crews are now working. The Holden Creek Substation is experiencing a delay due to FERC licensing requirements that need to be addressed. We do not anticipate any issues with this other than potential time delay.

Overall, the 2015 Electric capital budget was \$32.7 million (not including shared services) and at about 10% expended so far this year.

## **Shared Services**

Type 1 projects are progressing with a redesign being conducted on the HQ elevator. IT is also re-gearing its Type 1 capital and should be on track for this year.

AMI is moving forward and the CIS project is just starting up, however downgraded it amount spent for 2016 due to spending schedule stating late in the year

Overall, Shared Services has a 2016 capital budget of \$7.8 million.

## **Recommendation and Action**

This is an information item only, no action required. If you have any questions or wish to make comments on the reports please contact Mel Damewood a 541-685-7145 or email at [mel.damewood@eweb.org](mailto:mel.damewood@eweb.org)

Attachments:

Water Q1 2016 Capital EL1 Report  
Electric Q1 2016 Capital EL1 Report  
Shared Services Q1 2016 EL1 Report

### Water Capital Projects Quarterly Status Report 2016-Q1

**Type 1 - General Capital**

Project	2016			Status/Comments
	Budget	YTD Actual	Year-End Projection	
Source - Water Intakes & Filtration Plant	\$312,000	\$7,200	\$312,000	● Includes treatment trailer, beginning work on SCADA upgrade
Mains - Replacements, Improvements, & Trans.	\$4,213,000	\$724,100	\$4,213,000	● Will track this area closely over course as overages occurred last year.
Services and Meters	\$1,703,000	\$539,000	\$1,703,000	● Includes both new services and meters as well as replacement of existing service lines
Pump Stations	\$1,322,000	\$205,000	\$1,322,000	● Bulk of work is new Shasta 1150 pump station and emergent work at Santa Clara.
Reservoirs	\$33,000	\$0	\$33,000	● Only minor work anticipated this year.

*These categories will match the Capital Improvement Plans (CIPs) submitted by Water & Electric.*

*Type 1 - General Capital is budgeted Year-by-Year for recurring capital expenditures from January through December. Typical Type 1 Capital includes categorized collections of projects of less than \$1 million.*

*Typical examples include "main replacements". This work typically involves dozens of jobs that add up to \$3-\$3.5 million per year.*

**Type 2 Rehabilitation & Expansion Projects**

Project	2016			Project Total			Schedule			Status/Comments
	Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Hayden Bridge Filter S1-S6 Upgrades	\$3,513,000	\$609,000	\$3,513,000	\$7,713,000	\$5,518,690	\$8,420,000	2011	YE-2017	Q3-2016	● Upgrade of Filters N1-N6 Complete. Upgrade of Filters S1-S6 in construction. Seismic upgrades added costs for S1-S6. (Initial Plan - 2011 CIP)
Hayden Bridge Seismic Upgrades	\$0	\$0	\$0	\$1,215,529	\$1,117,067	\$1,760,000	2014	YE-2015	YE-2018	● Phase 1 (Basins and Filters) is complete. Phase 2 (Headhouse) deferred to 2017-2018. Phase 1 costs more expensive than anticipated. (Initial Plan - 2013 CIP)
Distribution System Scada/PLC Upgrades	\$309,000	\$18,000	\$309,000	\$3,079,780	\$335,109	\$2,050,000	2013	YE-2016	YE-2019	● Multi-Year upgrade project. Completing Crest System then moving to Shasta system. (Initial Plan 2013 CIP)
Hayden Bridge Standby Power Improvements	\$213,000	\$800	\$213,000	\$1,728,000	\$16,466	\$1,700,000	2015	YE-2017	YE-2017	● Completed preliminary design, beginning final design for Hayden Bridge. Phase 2 will be purchase of mobile generator for intake. (Initial Plan - 2015 CIP)
LTD EMX	\$140,000	\$103,000	\$140,000	\$0	\$2,720,862	\$2,760,000	2014	YE-2015	Q2-2016	● Only minor work remaining for water.
Willamette 800 Reservoir Project	\$0	\$0	\$0	\$1,639,760	\$137,850	\$1,770,000	2018	YE-2014	YE-2019	● Project deferred until 2018. This will be the final report on EL1 for this project and it will reappear on report when project is started up again.

**Type 3 - Strategic Projects & Programs**

Project	2015			Project Total			Schedule			Status/Comments
	Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Alternative Water Supply	\$1,815,000	\$26,000	\$1,815,000	\$52,707,167	\$326,000	\$67,000,000	2014 with Planning	YE-2021	YE-2021	● Property purchased anticipated in 2016. Also beginning preliminary design for Filtration Plant and Intake

**Total Water Capital (This Report)**

\$ 15,057,000    \$ 2,252,996    \$ 15,057,000    15%

# Capital "EL1" Report: Electric, 2016 -Q1

<b>Type 1 - General Capital</b>				Note - Changes from previous report(s) are in <b>BOLD</b>									
Capital Category	2016 thru Q1			Status/Comments									
	Budget	YTD Actual	Year-End Projection										
Electric Infrastructure - Generation	\$916,000	\$67,560	\$916,000	● Debris boom and public safety cable installed at Leaburg Lake on schedule in advance of fishing season. LB Dam fish ladder improvements on schedule for summer construction. Other miscellaneous Type 2 improvements at LB-WV and Carmen-Smith progressing on schedule. (ZINNIKER)									
Electric Infrastructure - Substations & Telecom	\$1,650,000	\$91,614	\$1,650,000	● Major project work includes transmission and distribution breaker replacements at Monroe Substation (Friendly Street Area), RTU work at Bertelson, and potentially new transmission breakers at Bertelson. A telecommunications enhancement includes the design phase for a tower at ROC (LAWSON)									
Electric Infrastructure - Transmission & Distribution	\$8,350,000	\$1,857,955 (1)	\$8,350,000	● PUC and basic compliance work is ahead of estimated pace YTD, partially to offset upcoming work on LTD EmX. Customer-Driven Capital is slightly behind pace for the year at a run rate of 10% through Q1. Initial concrete transmission pole testing was completed at OSU. (LAWSON)									
<b>Type 2 Rehabilitation &amp; Expansion Projects</b>				2016 thru Q1			Project Total			Schedule			Status/Comments
Project	Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion				
Leaburg Roll Gate #2 Re-Build	\$0	\$13,020	\$110,000	\$1,600,000	\$3,027,080	\$3,150,000	Jul-2012	Jun-2014	Feb-2015	● Substantial completion attained in February 2015, final construction work and system adjustments to occur in 2016. (ZINNIKER)			
Leaburg Roll Gate #1 Re-Build	\$0	\$12,081	\$61,000	\$2,000,000	\$1,927,427	\$2,000,000	Mar-2015	Nov-2015	Dec-2015	● Substantial completion attained in November 2015, punch list and final commissioning activities to complete in 2016. (ZINNIKER)			
Leaburg Roll Gate #3 Re-Build	\$1,550,000	\$241	\$1,121,000	\$1,550,000	\$428,521	\$1,550,000	Dec-2015	Nov-2016	Nov-2016	● Work scheduled to start in June with final completion expected by the end of 2016. (ZINNIKER)			
LTD EmX Project (Electric)	\$6,175,000	\$813,608	\$5,627,000	\$5,700,000	\$2,163,424	\$7,000,000	Sep-2013	---	Nov-2016	● EWEB resolved all known electric conflicts west of Bertelson on W.11th ahead of LTD's work. Completed work is under previous cost estimates. LTD is continuing to acquire property rights out ahead of EWEB's work to allow crews to continue east along W.11th. (THOMAS)			
Upriver Re-Configuration/Holden Ck. Substation	\$1,500,000	\$28,385	\$1,500,000	\$3,000,000	\$143,350	\$5,700,000	Jan-2014	Oct-2015	Jul-2017	● Some potential delays in FERC licensing requirements may delay construction scheduled for summer 2016 (LAWSON).			
Downtown Distribution Network	\$2,000,000	\$5,116	\$2,000,000	\$15,000,000	\$4,592,261	\$20,000,000	Sep-2010	Dec-2015	Dec-2019	● Worked planned for 2016 is progressing: Hospital 480V network re-configuration is planned awaiting hospital for scheduling; Installation of arc-flash disconnects needed for 480V spot network; Primary conductor re-design for future year replacement. All this work is required independent of Radial versus Network decision. (FRASER)			
<b>Type 3 - Strategic Projects &amp; Programs</b>				2016 thru Q1			Project Total			Schedule			Status/Comments
Project	Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion				
Carmen Smith License Implementation	\$10,590,000	\$406,629	\$10,590,000	\$135,000,000	\$38,267,785	\$181,000,000	May-2009	Dec-2021	Dec-2025	● Settlement Agreement re-negotiation efforts (of scope) continue to move forward with expected revisions completed in fall of 2016. Project NPV projections are improved based on reduced capital costs and despite declining forward power pricing forecasts. Carmen gantry crane construction preparation on schedule for fall completion. Turbine shut-off valve procurement on schedule for delivery Spring 2017. Heavy plant upgrade planning and design efforts underway. (ZINNIKER/BOYLE)			
<b>Total Electric Capital (This Report)</b>	<b>\$32,731,000</b>	<b>\$3,296,209</b>	<b>10%</b>										

These categories match the Capital Improvement Plans (CIPs) submitted by Water & Electric.

Type 1 - General Capital is budgeted Year-by-Year for recurring capital expenditures from January through December. Type 1 Capital includes categorized collections of projects of less than \$1 million. Typical examples include "pole replacements" as part of Transmission & Distribution. This work typically involves many small projects that up to \$1.2-\$1.7 million per year.

Type 2 projects have "discrete" scopes, schedules (launch through completion), and cost over \$1MM during the project life.

Note(s) 1. Distribution transformers are being capitalized when received in inventory, therefore some projects in T&D and Downtown network are understated.  
 2. Budget amounts are adjusted to reflect changes presented to the Board on April 19, 2016.



## Capital "EL1" Report: Shared Services, 2016-Q1

<b>Type 1 - General Capital</b>	2016 - Q1			Note - Changes from previous report(s) are in <b>BOLD</b>						
Capital Category	Budget	YTD Actual	Year-End Projection	Status/Comments						
General Plant - Information Technology (I.T.)	\$1,328,913	<b>\$206,756</b>	\$1,328,913	●	IS expects improved Capital performance due to resolution of WISCA issue and an increase in Capital projects from 2015. (Barton)					
General Plant - Buildings & Land Management	\$557,744	<b>\$204,756</b>	\$557,744	●	HQ HVAC Project comple pending pipe chemical prep and final sign off. HQ Elevator Upgrade redesigned to utilize existing technology. (Simmons)					
General Plant - Electric& Water Fleet Capital	\$1,722,124	<b>\$101,365</b>	\$1,722,124	●	Projects are on track. (Lentsch)					

*In the future, these categories will match the Capital Improvement Plans (CIPs) submitted by Water & Electric.*

*Type 1 - General Capital is budgeted Year-by-Year for recurring capital expenditures from January through December. Type 1 Capital includes categorized collections of projects of less than \$1 million. Typical examples include "pole replacements" as part of Transmission & Distribution. This work typically involves many small projects that add up to \$1.2-\$1.7 million per year.*

*Type 2 projects have "discrete" scopes, schedules (launch through completion), and cost over \$1MM during the project life.*

<b>Type 2 Rehabilitation &amp; Expansion Projects</b>	2016 - Q1			Project Total			Schedule			Status/Comments
Project	Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
AMI Information Technology & Integration	\$2,977,005	<b>\$339,044</b>	\$2,977,005	\$6,475,700	<b>\$1,187,899</b>	\$6,475,700	May-2015	Dec-2017	May-2018	● Projects on track per status reporting. YTD spending reflects upcoming invoices from milestone payments. (Barton)
Customer Information System (CIS) Replacement	\$2,500,049	<b>\$0</b>	\$1,250,000	\$9.7M	<b>\$0</b>	\$9.7M	Sep-2016	Aug-2018	Jun-2018	● Project on track per status reporting. Estimated start of Capital spend is October 2016 (Barton)

<b>Total Shared Services Capital (This Report)</b>	<b>\$9,085,835</b>	<b>\$851,921</b>	<b>\$7,835,786</b>							
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Note(s) 1. Financials are based on year-end un-audited reporting. Any substantial adjustments during the year-end audit will be noted on the next EL-1 Report.



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Sue Fahey, Finance Manager; Susan Eicher, Accounting and Treasury Supervisor  
DATE: May 3, 2016  
SUBJECT: First Quarter 2016 Financial Report  
OBJECTIVE: Information Only

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## Issue

This memo provides a summary of operating results for the first quarter of 2016.

## 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.

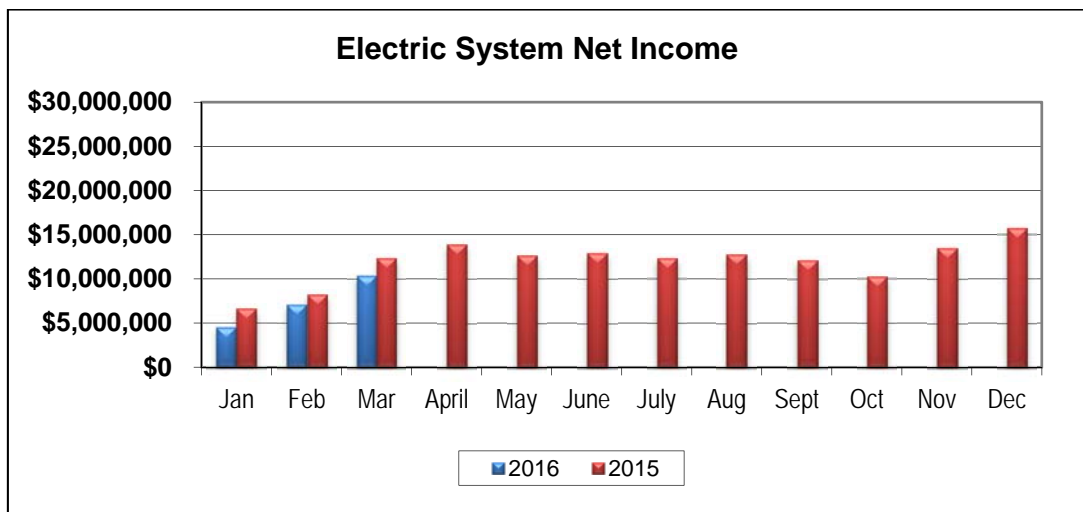
## Discussion

**Electric Utility:** See Financial Statements at Attachment 1

### Statement of Revenues, Expenses and Changes in Net Position Analysis

#### Net Income

Net income before Capital Contributions for the Electric Utility was \$2.0 million lower than in 2015. Retail consumption increased by 3.3% from the first quarter last year, but wholesale sales were lower and some operating expenses increased compared to March 2015.



## **Operating Revenues**

Retail sales to electric residential customers was \$1.3 million higher than in 2015, with an increase of 5.8% compared to March 2015. However, the first quarter of 2015 was exceptionally warm, and consumption had decreased by 7.0% from March of 2014. Compared to the seasonally shaped budget, residential sales were \$1.8 million under budget.

Commercial and industrial sales are not as subject to variation due to weather conditions. Sales to Commercial and Industrial customers was \$800 thousand higher than 2015, but were \$436 thousand under the seasonally shaped budget. All classes of commercial customers, and all industrial customers saw increases in sales revenue.

Overall, sales for resale were \$2.9 million less than in 2015, and the volume sold was 29% less than in 2015. Additionally, wholesale market prices continue to be at historic lows. Other operating revenue which includes customer account related fees, conservation reimbursements and billable O&M work, increased by \$167 thousand compared to 2015.

## **Operating Expenses**

Operating expenses increased by \$3.4 million, with purchased power and wheeling making up \$2.6 million of the change. Purchased power includes all purchases from BPA, other contracted resources and market purchases. Transmission and distribution increased by \$500 thousand, primarily reflecting a shift in focus from capital to O&M work. Customer accounting increased by \$500 thousand, and administrative and general decreased by \$500 thousand, with much of the variance due to changes in expenses that are allocated to departments, such as benefits, and fleet charges. All operating expenses combined were at 24.7% of budget.

## **Contribution Margin**

Contribution margin (CM) is a measure of the amount power activity contributes to the fixed costs of the utility. CM is made up of retail, wholesale and power related other operating revenue, net of the cost of purchased power, transmission and fuel. The CM revenues and expenses are shaped seasonally based upon forecasts and historical experience. CM for 2016 was budgeted to be \$115 million. At this time, the seasonally shaped CM budget is \$2.2 million under budget, and is forecasted to be \$2.8 million under budget at year-end due to lower than budget sales as discussed in **Operating Revenues**.

## **Other Non-operating Revenue and Expenses**

Other non-operating revenues consist primarily of investment earnings and miscellaneous revenues that are not related to the core business of the utility, such as rental income and gain on sales of assets. At this time, other revenues are \$1.4 million higher than 2015 mostly due to the adjustment to fair market value of hedging trades that are classified as “investment derivatives.” Investment derivatives are hedging trades that have been determined to be in excess of power resources to be hedged when measured at the end of the quarter.

Other expenses include non-debt related amortizations, loss on disposal of assets, donations, and the costs of environmental remediation at the former coal/gas site at HQ. Other expenses are \$700 thousand lower than 2015, and are at 24.2% of budget overall. The decrease is due to changes in amortization related to pension accounting and decreases in interest expense as long-term debt is paid down.

### **Contributions in Aid of Construction (CIA)/Contributed plant assets**

CIA received through March is \$1.9 million, and is 23.7% of budget. The budget anticipates a total of \$8.3 million in CIA, including \$4.4 budgeted for CIA related to the reimbursable Lane Transit District (LTD) EMX project. The utility also recognized \$390 thousand in assets contributed by developers which is not budgeted.

### **Statement of Net Position Analysis**

#### **Cash and Reserve Balances**

Cash and reserve balances as of the end of March do not include the reserves transfers that were approved at the April 19<sup>th</sup> Board meeting. These transfers will be reflected in the report for the second quarter.

Working cash balances are \$42.4 million, including cash in the bank and investments. The balances in working cash are available for the day-to-day operating expenses of the utility and are at this time, above the Board performance standard of \$24.0 million.

Designated cash is \$95.1 million at the end of March. Overall, designated cash is lower than it was last year, but the capital reserve is above performance standard by \$5.5 million, due to lower than budgeted capital work.

Restricted cash, including investments for debt service, debt service reserves, and construction funds, is \$41.9 million at the end of March. Investments for debt service are accumulated to pay interest and principal to bondholders. The required February payment of interest to bondholders has been made, and balances will increase until the August payment of principal and interest. Construction funds have been drawn down by \$5.8 million since March 2015.

#### **Debt and Financing**

The Electric Utility is required to defease bonds for the Smith Creek Hydro Project after the sale closes. The Board approving defeasing additional bonds at the April 5<sup>th</sup> meeting, and, combined with the Smith Creek defeasance, debt service savings of \$3.4 million could be realized over the lives of the defeased bonds.

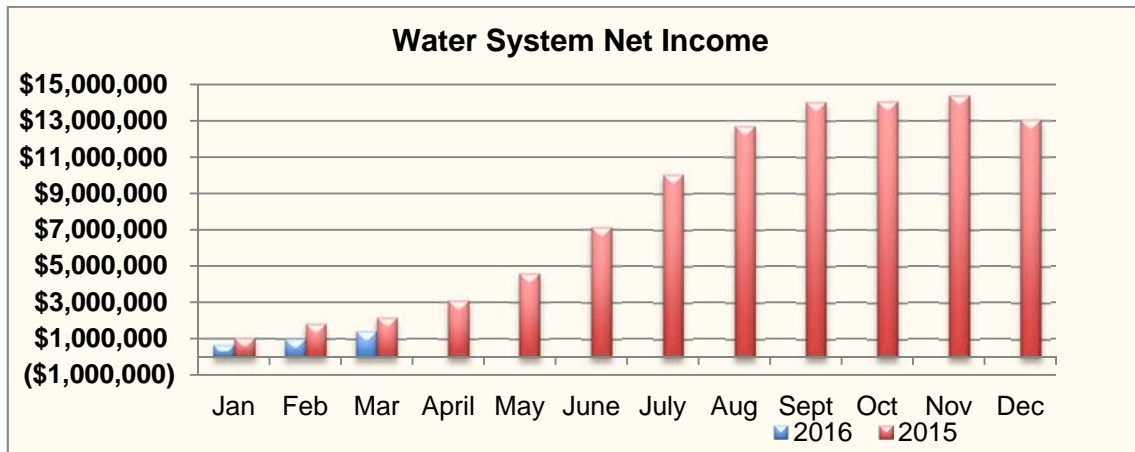
#### **Ratio Analysis**

The current ratio of 3.76, a measure of current assets compared to current liabilities, is above the Board target. The debt service ratio, a measure of our ability to pay debt service with current revenues, is 1.99, and is above the target of 1.75. The debt service ratio is expected to improve with the defeasance of bonds mentioned above. The debt to assets ratio is one measure of leverage and as of March was 46%, well below the target of less than 60%. The debt to equity ratio is another measure of leverage, with a lower ratio indicating a stronger equity position. The debt to equity ratio is 70%, well below the target of less than 91%. All other ratios are performing better than the Board targeted levels.

**Water Utility:** See Financial Statements at Attachment 2  
**Statement of Revenues, Expenses and Changes in Net Position Analysis**

**Net Income**

Net income for the Water Utility was \$1.4 million, a decrease of \$734 thousand dollars compared to 2015, with the decrease due to lower consumption during the first quarter.



**Operating Revenues**

Operating revenues increased by \$86 thousand overall compared to 2015, despite the lower retail consumption. An increase in other operating revenues, and sales for resale of \$209 thousand offset the decrease in retail sales.

Sales for resale and other includes sales to River Road and Santa Clara Water Districts, Willamette Water Company, as well as sales to city of Veneta. In 2015 Water District sales were included in Commercial and industrial. Also included are revenues from customer account related fees and reimbursements for billable O&M work.

**Operating Expenses**

Operating expenses increased overall by \$1.0 million from 2015, with the largest increases being in transmission and distribution. The variance appears to be due to the Water Utility being more focused on capital work at this time last year.

**Other Non-operating Revenue and Expenses**

Other non-operating revenues consist primarily of investment earnings and miscellaneous revenues that are not related to the core business of the Utility. Other revenue increased compared to 2016 by \$83 thousand, primarily due to an increase in investment earnings.

Non-operating expenses, primarily interest and amortizations on debt service and other assets, decreased by \$101 thousand compared to 2015.

**Contributions in Aid of Construction (CIA) and SDCs**

CIA was \$85 thousand lower than in 2015. The 2016 annual budget for CIA is \$2.7 million lower than the 2015 budget, primarily due to the reimbursable LTD EMX work winding down. EMX work made up the majority of CIA for 2015. SDC revenue is recognized as projects qualifying for SDCs are completed. At this time, SDC revenue is \$75 thousand less than in 2015.



## **Statement of Net Position Analysis**

### **Cash and Reserve Balances**

Cash and reserve balances as of the end of March do not include the reserves transfers that were approved at the April 19<sup>th</sup> Board meeting. These transfers will be reflected in the report for the second quarter.

Working cash balances, including cash in the bank and investments, are \$7.8 million at the end of March. The balances in working cash are available for the day-to-day operating expenses of the utility and are, above the Board target of \$3.4 million.

Restricted cash is \$7.4 million at the end of March. Construction funds have been entirely depleted. Investments for debt service are accumulated to pay interest and principal to bondholders. The required February payment of interest to bondholders has been made, and balances will increase until the August payment of principal and interest. SDC reserves increased slightly since year-end.

Designated cash balances are \$16.4 million, an increase of \$8.7 million compared to March of 2015. The changes are due to increases in the Alternative Water Supply fund, budgeted transfers to the Capital improvement reserve, and the creation of the Rate Stabilization and Pension funds that were approved by the Board in May of 2015. The Alternative Water Supply reserves increase monthly based a percentage of residential and commercial sales. The capital reserve is funded by monthly transfers from rate revenue, and is drawn down as qualifying project expenses are incurred.

### **Debt and Financing**

Long-term debt includes bonds and amounts payable to the Electric Utility. The Water Utility plans to issue bonds to fund ongoing capital work, and to take advantage of the current interest rate environment to refinance bonds and achieve debt service savings. The current plan is to issue bonds by the end of May, with \$16 million in new money and \$24 million refinanced. The refinancing is anticipated to result in debt service savings of almost \$4 million. All three ratings agencies reviewed and affirmed their ratings of the Water Utility bonds.

### **Ratio Analysis**

The current ratio, a measure of current assets compared to current liabilities, as of March is 8.2, more than twice the Board target of 3.25. This ratio includes the effects of increase in rates, and changes in the rate structure, that have allowed the utility to accumulate cash and reserves. The debt service ratio, a measure of our ability to pay debt service with current revenues is 4.0, double the target of 2.0. The debt to assets ratio is one measure of leverage, and is 39%, well below the target of less than 60%. The debt to equity ratio is another measure of leverage, with a lower ratio indicating a stronger equity position. The debt to equity ratio as of March is 52%, well below the target of less than 89%. The measurement of days available cash is also very strong. All other ratios are performing better than the Board targeted levels.

### **Requested Board Action**

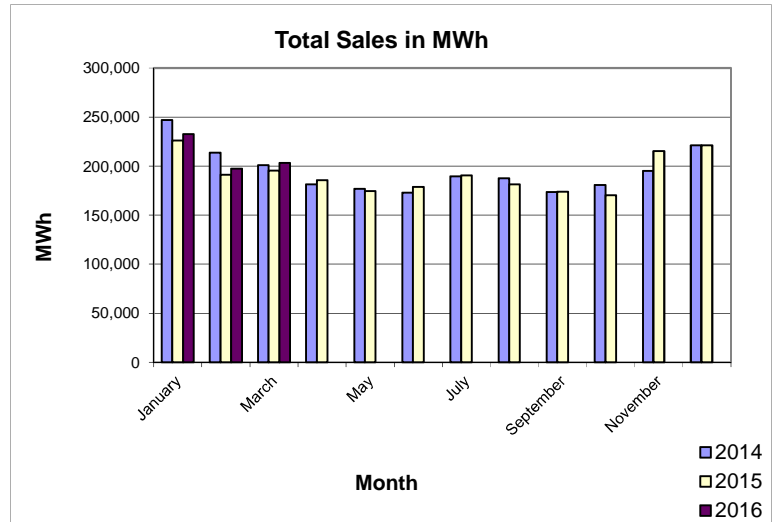
Information only. No action requested.

**Electric Utility Sales in MWh  
March 2016**

ATTACHMENT 1

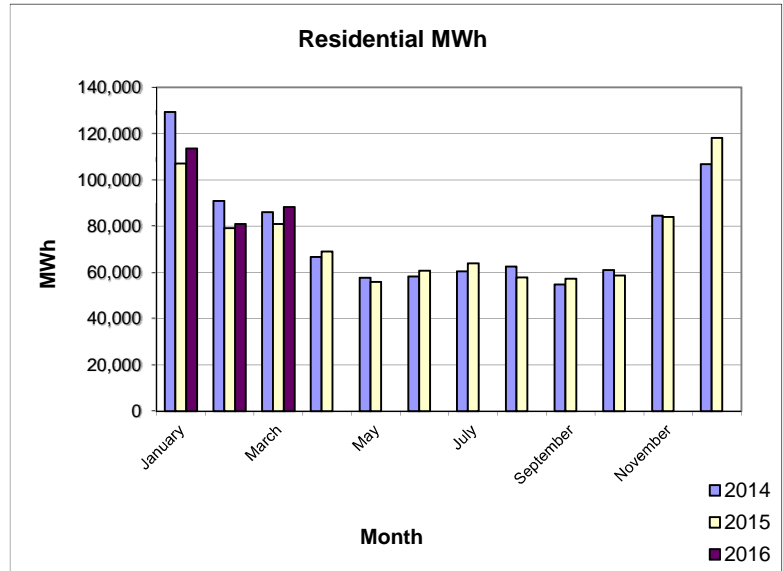
**Total Electric Utility Sales in MWh**

	2014	2015	2016
January	246,897	226,208	232,720
February	213,721	191,281	197,213
March	201,085	195,492	203,114
Q1 total	661,703	612,981	633,046
April	181,338	185,698	0
May	176,849	174,491	0
June	172,861	178,629	0
Q2 total	531,048	538,818	0
July	189,368	190,535	0
August	187,651	181,414	0
September	173,396	173,902	0
Q3 total	550,415	545,851	0
October	180,848	170,136	0
November	194,991	215,218	0
December	221,321	221,322	0
Q4 total	597,160	606,676	0
Annual total	<u>2,340,326</u>	<u>2,304,326</u>	<u>633,046</u>



**Residential Sales in MWh**

	2014	2015	2016
January	129,434	107,136	113,589
February	90,865	79,168	80,958
March	86,008	81,006	88,256
	306,307	267,310	282,803
April	66,739	69,023	0
May	57,652	55,898	0
June	58,311	60,721	0
	182,702	185,642	0
July	60,462	63,866	0
August	62,552	57,890	0
September	54,751	57,313	0
	177,765	179,069	0
October	61,020	58,717	0
November	84,506	84,028	0
December	106,876	118,236	0
	252,402	260,981	0
Total	<u>919,176</u>	<u>893,002</u>	<u>282,803</u>

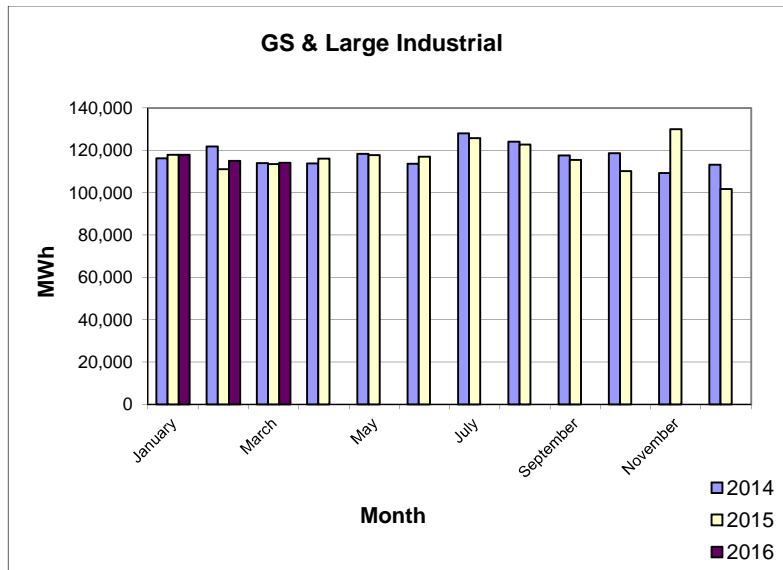


**Electric Utility Sales in MWh  
March 2016**

**ATTACHMENT 1**

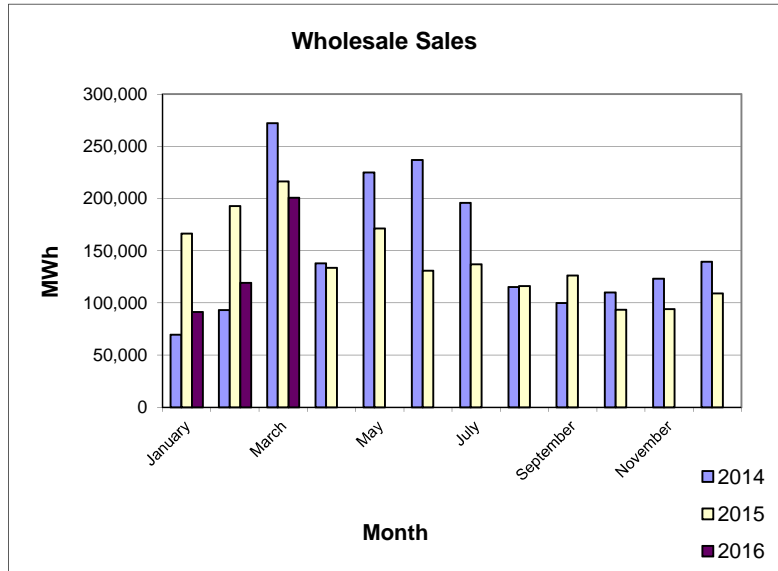
**General Service & Large Industrial Sales in MWh**

	2014	2015	2016
January	116,239	117,866	117,905
February	121,842	111,091	114,969
March	114,007	113,463	114,088
	<u>352,088</u>	<u>342,420</u>	<u>346,962</u>
April	113,740	116,038	0
May	118,322	117,742	0
June	113,703	117,015	0
	<u>345,765</u>	<u>350,795</u>	<u>0</u>
July	127,947	125,672	0
August	124,008	122,673	0
September	117,531	115,459	0
	<u>369,486</u>	<u>363,804</u>	<u>0</u>
October	118,635	110,229	0
November	109,278	130,010	0
December	113,195	101,752	0
	<u>341,108</u>	<u>341,991</u>	<u>0</u>
<b>Total</b>	<u><u>1,408,447</u></u>	<u><u>1,399,010</u></u>	<u><u>346,962</u></u>



**Total Wholesale Sales in MWh**

	2014	2015	2016
January	69,372	166,562	91,229
February	93,166	192,878	119,306
March	272,177	216,315	200,903
	<u>434,715</u>	<u>575,755</u>	<u>411,438</u>
April	137,930	133,635	0
May	224,853	171,384	0
June	237,088	130,835	0
	<u>599,871</u>	<u>435,854</u>	<u>0</u>
July	195,718	136,993	0
August	115,137	116,194	0
September	99,891	126,384	0
	<u>410,746</u>	<u>379,571</u>	<u>0</u>
October	110,036	93,491	0
November	123,128	94,117	0
December	139,559	109,166	0
	<u>372,723</u>	<u>296,774</u>	<u>0</u>
<b>Total</b>	<u><u>1,818,055</u></u>	<u><u>1,687,954</u></u>	<u><u>411,438</u></u>



Average Price Per MWh	2014	2015	2016
	\$ 31.75	\$ 22.96	\$ 21.45

**Eugene Water & Electric Board**  
**Electric System**  
**Statement of Revenues, Expenses and Changes in Net Position**  
for the three months ended March 2016 and 2015

	<u>2016</u>	<u>2015</u>
Residential	\$ 28,711,140	\$ 27,361,915
Commercial and industrial	24,803,195	24,050,735
Sale for resale and other	<u>11,014,902</u>	<u>13,717,762</u>
<b>Operating Revenues</b>	<u>64,529,237</u>	<u>65,130,414</u>
Purchased power	27,643,385	25,629,280
System control	1,436,095	1,325,191
Wheeling	3,654,563	3,019,390
Generation	2,859,597	2,847,206
Transmission and distribution	4,977,496	4,459,461
Customer accounting	1,996,654	1,454,726
Conservation expenses	767,986	807,980
Administrative and general	4,715,500	5,193,721
Depreciation on utility plant	<u>6,001,081</u>	<u>5,845,744</u>
<b>Operating Expenses</b>	<u>54,052,357</u>	<u>50,582,698</u>
<b>Net Operating Income</b>	<u>10,476,880</u>	<u>14,547,716</u>
Investment earnings	1,847,772	625,500
Interest earnings, Water	276,476	281,749
Other revenue	<u>510,656</u>	<u>354,863</u>
<b>Non-operating Revenues</b>	<u>2,634,904</u>	<u>1,262,112</u>
Other expenses	168,755	343,804
Interest expense and related amortization	<u>2,559,539</u>	<u>3,086,897</u>
<b>Other Non-operating Expenses</b>	<u>2,728,294</u>	<u>3,430,702</u>
<b>Income Before Capital Contributions</b>	10,383,490	12,379,125
Contributions in aid of construction	1,969,713	46,571
Contributed plant assets	<u>390,476</u>	<u>-</u>
Increase in Net Position	12,743,679	12,425,697
Total net position at beginning of year	<u>372,397,781</u>	<u>352,658,726</u>
<b>Total Net Position at End of the Period</b>	<u>\$ 385,141,460</u>	<u>\$ 365,084,423</u>

## **Overview and Definitions—Electric System—Statement of Revenues, Expenses and Changes 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, RECs, billable O&M work, and other miscellaneous sales.

**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 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 on utility plant** – 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.

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

**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.

**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 & Electric Board**  
**Electric System**  
**Statement of Net Position**  
March 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>	<b>December 2015</b>
<b>Assets</b>			
<u>Capital assets</u>			
Utility plant in service	\$ 747,066,811	\$ 728,912,782	\$ 752,863,250
Less - Accumulated depreciation	(399,124,445)	(378,029,302)	(393,797,390)
Net utility plant in service	347,942,366	350,883,481	359,065,860
Property held for future use	827,449	827,449	827,449
Construction work in progress	14,998,860	13,203,573	5,505,140
Net utility plant	363,768,675	364,914,503	365,398,450
<u>Current assets</u>			
Cash and cash equivalents	10,845,400	12,997,692	7,239,776
Short-term investments	31,558,094	33,568,513	16,165,484
Restricted cash and investments	41,883,567	48,015,259	42,121,803
Designated cash and investments	95,087,949	103,308,724	58,915,274
Receivables, less allowances	29,310,409	29,216,407	31,603,034
Due from Water System	796,702	778,666	887,148
Materials and supplies, at average cost	4,163,309	4,799,575	4,286,899
Prepays	6,793,218	6,851,247	6,931,033
Total current assets	220,438,648	239,536,083	168,150,452
<u>Non-current assets</u>			
Long-term receivable, conservation and other	5,167,109	4,947,930	5,160,480
Due from Water System	17,097,430	17,770,901	17,266,499
Long-term investments	-	-	43,657,619
Investment in WGA	2,786,808	432,010	2,786,808
Investment in Harvest Wind	24,667,199	25,885,890	25,067,481
Nonutility Property	7,830,481	10,539,457	7,830,500
Net pension asset	-	16,010,707	-
Other assets	62,764,395	59,634,348	64,320,426
Total non-current assets	120,313,422	134,985,178	166,089,814
<b>Deferred Outflows</b>			
Deferred outflows of resources	8,800,890	7,075,710	8,936,627
 <b>Total Assets and Deferred Outflows</b>	 \$ 713,321,635	 \$ 746,511,474	 \$ 708,575,343
<b>Liabilities</b>			
<u>Current liabilities</u>			
Payables	\$ 16,310,741	\$ 15,981,731	\$ 18,892,593
Accrued payroll and benefits	4,897,259	4,531,809	4,909,777
Accrued interest on long-term debt	1,846,634	2,498,355	4,616,586
Long-term debt due within one year	13,510,000	41,452,398	13,510,000
Total current liabilities	36,564,634	64,464,292	41,928,956
<u>Non-current liabilities</u>			
Long-term debt	232,554,364	247,371,829	232,865,868
Net pension liability	37,311,057	-	37,311,057
Other liabilities	9,957,489	9,995,773	10,339,481
Total liabilities	316,387,544	321,831,893	322,445,362
<b>Deferred Inflows</b>			
Deferred Inflows of resources	11,792,631	59,595,158	13,732,200
<b>Net Position</b>			
Net investment in capital assets	167,850,483	163,418,115	169,832,994
Restricted	20,972,253	20,713,227	17,528,492
Unrestricted	196,318,724	180,953,081	185,036,295
Total net position	385,141,460	365,084,423	372,397,781
 <b>Total Liabilities, Deferred Inflows, and Net Position</b>	 \$ 713,321,635	 \$ 746,511,474	 \$ 708,575,343



**Eugene Water & Electric Board  
Electric System  
Financial Ratios  
March 31, 2016**

	<u>YEAR-TO-DATE</u>			<u>Performance Standard</u>
	<u>2016</u>	<u>Status</u>	<u>2015</u>	
<b>Current Ratio</b>	6.029		3.716	≥ 3.250
<b>Debt to Total Assets</b>	0.460		0.489	≤ 0.600
<b>Debt Service Coverage</b>	1.985		2.048	≥ 1.750
<b>Operating Ratio</b>	0.745		0.687	
<b>Days Unrestricted Cash</b>	253		289	
<b>Days Available Cash</b>	161		210	≥ 90
<b>Debt to Equity</b>	70%		63%	≤ 91%

**Notes: The debt service ratio methodology was revised in 2014 to include the Harvest Wind note payable paid off in May of 2015. Effective, 9/30/2015 - Rate Stabilization Fund was added to the calculation for Days Available Cash. While Board approval is required - this fund would be available for use in an emergency.**

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

**Eugene Water & Electric Board**  
**Electric System**  
**Financial Ratios**  
**March 31, 2016**

**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 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**

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, including the power and rate stabilization 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).

**Benchmark Derived From**

APPA - American Public Power Association Financial Ratios. The ratio information is taken from the most current report on standard utility ratios (2003 data, published May 2005).

**Days Unrestricted Cash**

Standard and Poor's Industry Standards for Investment Grade ratings  
( Investment Grade Standard is 60 to 90 days unrestricted cash)

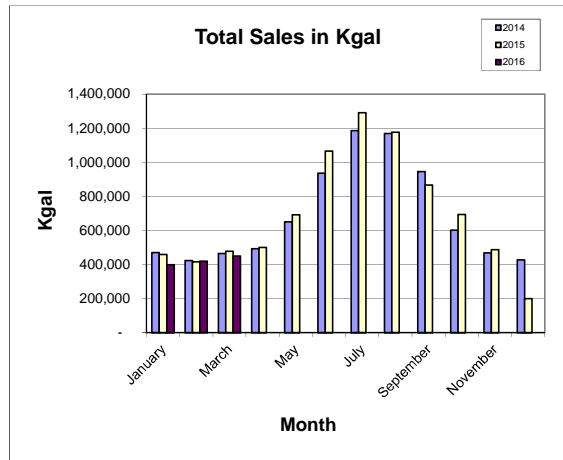
**Days Available Cash**

Set by management as minimum desirable level of available cash reserves

# Water Utility Sales in Kgal 2016

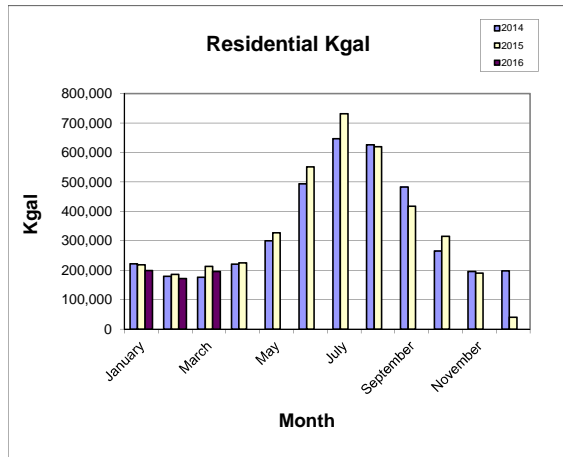
## Total Water Sales in Kgal

	2014	2015	2016
January	469,967	459,108	399,369
February	424,408	404,303	419,161
March	463,973	467,462	450,547
<b>Q1 total</b>	<b>1,358,348</b>	<b>1,330,873</b>	<b>1,269,077</b>
April	493,852	487,636	0
May	650,078	679,838	0
June	935,507	1,051,349	0
<b>Q2 total</b>	<b>2,079,437</b>	<b>2,218,823</b>	<b>0</b>
July	1,185,522	1,255,528	0
August	1,168,830	1,145,986	0
September	946,113	840,585	0
<b>Q3 total</b>	<b>3,300,465</b>	<b>3,242,099</b>	<b>0</b>
October	601,568	674,261	0
November	468,583	473,737	0
December	427,484	187,717	0
<b>Q4 total</b>	<b>1,497,635</b>	<b>1,335,715</b>	<b>0</b>
<b>Annual total</b>	<b>8,235,885</b>	<b>8,127,510</b>	<b>1,269,077</b>



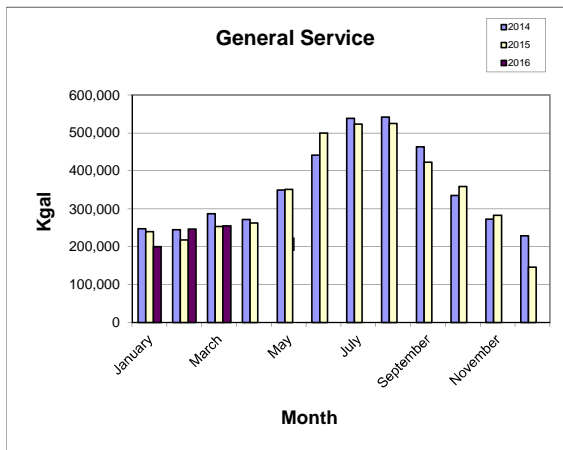
## Residential Sales in Kgal

	2014	2015	2016
January	222,490	219,363	199,360
February	179,454	186,053	172,258
March	176,867	213,577	195,684
<b>Q1 total</b>	<b>578,811</b>	<b>618,993</b>	<b>567,302</b>
April	221,689	225,226	0
May	300,111	328,179	0
June	493,850	551,652	0
<b>Q2 total</b>	<b>1,015,650</b>	<b>1,105,057</b>	<b>0</b>
July	647,084	732,314	0
August	626,527	620,535	0
September	482,893	417,603	0
<b>Q3 total</b>	<b>1,756,504</b>	<b>1,770,452</b>	<b>0</b>
October	266,075	315,532	0
November	195,852	191,016	0
December	198,845	41,102	0
<b>Q4 total</b>	<b>660,772</b>	<b>547,650</b>	<b>0</b>
<b>Total</b>	<b>4,011,737</b>	<b>4,042,152</b>	<b>567,302</b>



## General Service in Kgal

	2014	2015	2016
January	247,477	239,745	200,009
February	244,954	218,250	246,903
March	287,106	253,885	254,863
<b>Q1 total</b>	<b>779,537</b>	<b>711,880</b>	<b>701,775</b>
April	272,163	262,410	0
May	349,967	351,659	0
June	441,657	499,697	0
<b>Q2 total</b>	<b>1,063,787</b>	<b>1,113,766</b>	<b>0</b>
July	538,438	523,214	0
August	542,303	525,451	0
September	463,220	422,982	0
<b>Q3 total</b>	<b>1,543,961</b>	<b>1,471,647</b>	<b>0</b>
October	335,493	358,729	0
November	272,731	282,721	0
December	228,639	146,615	0
<b>Q4 total</b>	<b>836,863</b>	<b>788,065</b>	<b>0</b>
<b>Total</b>	<b>4,224,148</b>	<b>4,085,358</b>	<b>701,775</b>



**Water System**  
**Statement of Revenues, Expenses and Changes in Net Position**  
for the three months ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Residential	\$ 4,026,672	\$ 4,067,260
Commercial and industrial	2,648,048	3,072,450
Sale for resale and other	735,064	184,563
<b>Operating Revenues</b>	<u>7,409,784</u>	<u>7,324,273</u>
Source of supply, pumping and purification	1,081,488	1,215,860
Transmission and distribution	1,322,741	658,154
Customer accounting	314,936	126,147
Conservation expenses	45,786	21,093
Administrative and general	978,192	801,322
Depreciation on utility plant	1,501,505	1,418,035
<b>Operating Expenses</b>	<u>5,244,648</u>	<u>4,240,611</u>
<b>Net Operating Income</b>	<u>2,165,136</u>	<u>3,083,662</u>
Investment earnings	100,084	28,551
Other revenue	36,868	25,071
<b>Non-operating Revenues</b>	<u>136,952</u>	<u>53,622</u>
Other revenue deductions	49,724	126,197
Interest expense and related amortization	257,495	271,631
Interest expense, Electric	552,952	563,498
<b>Non-operating Expenses</b>	<u>860,171</u>	<u>961,326</u>
<b>Income before capital contributions</b>	<u>1,441,917</u>	<u>2,175,958</u>
Contributions in aid of construction	170,277	255,208
Contributed plant assets	102,213	-
System development charges	379,402	454,012
<b>Capital Contributions</b>	<u>651,892</u>	<u>709,220</u>
Increase in net position	2,093,809	2,885,178
Total net position at beginning of year	<u>118,544,451</u>	<u>98,602,475</u>
<b>Total Net Position at End of Year</b>	<u>\$ 120,638,260</u>	<u>\$ 101,487,653</u>

## **Overview and Definitions–Water System-Statement of Revenues, Expenses and Changes in Net Position**

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

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

**Sales for Resale and Other** – Miscellaneous sale and other operating revenues, including Water Districts, Willamette Water Company and city of Veneta.

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

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

**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.

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








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

**Net Position** – Accumulated equity

**Eugene Water & Electric Board**  
**Water System**  
**Statement of Net Position**  
**March 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>	<u>December 2015</u>
<b>Assets</b>			
<u>Capital assets</u>			
Utility plant in service	\$ 252,936,084	\$ 235,399,465	\$ 254,512,937
Less - Accumulated depreciation	(107,037,257)	(102,056,996)	(105,624,389)
Net utility plant in service	145,898,827	133,342,469	148,888,548
Property held for future use	1,151,497	968,578	1,137,570
Construction work in progress	7,995,373	12,181,722	4,040,590
Net Utility Plant	<u>155,045,697</u>	<u>146,492,769</u>	<u>154,066,708</u>
<u>Current assets</u>			
Cash and cash equivalents	7,848,801	7,161,586	8,357,179
Restricted cash and investments	7,373,569	8,552,377	7,142,756
Designated cash and investments	16,421,775	7,708,158	9,702,084
Receivables, less allowances	2,974,541	3,441,120	3,353,602
Material and supplies, at average cost	975,527	872,267	1,011,704
Prepayments and special deposits	1,376,798	1,360,680	1,340,697
Total current assets	<u>36,971,011</u>	<u>29,096,188</u>	<u>30,908,022</u>
<u>Non-current assets</u>			
Long-term investments	-	-	6,735,916
Long-term receivables, conservation and other	197,673	161,010	196,101
Net pension asset	-	3,514,544	-
Other assets	2,127,736	891,777	2,145,501
Total non-current assets	<u>2,325,409</u>	<u>4,567,330</u>	<u>9,077,518</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows of Resources	<u>2,219,259</u>	<u>1,891,515</u>	<u>2,237,313</u>
<b>Total Assets &amp; Deferred Outflows</b>	<u>\$ 196,561,376</u>	<u>\$ 182,047,802</u>	<u>\$ 196,289,561</u>
<b>Liabilities</b>			
<u>Current liabilities</u>			
Payables	\$ 208,797	\$ 521,081	\$ 1,200,732
Accrued payroll and benefits	1,251,706	1,010,945	1,181,216
Accrued interest on long-term debt	336,100	348,030	887,148
Long-term debt due within one year	1,920,000	1,840,000	1,920,000
Due to Electric System	796,702	778,666	840,235
Total current liabilities	<u>4,513,305</u>	<u>4,498,722</u>	<u>6,029,331</u>
<u>Non-current liabilities</u>			
Long term debt			
-note and bonds payable	43,921,268	45,860,237	43,925,956
Due to Electric System	17,097,428	17,770,901	17,266,499
Net pension liability	8,190,233	-	8,190,233
Other liabilities	253,634	388,493	385,843
Total liabilities	<u>73,975,868</u>	<u>68,518,353</u>	<u>75,797,862</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources	<u>1,947,248</u>	<u>12,041,796</u>	<u>1,947,248</u>
<b>Net Position</b>			
Net invested in capital assets	94,369,641	83,344,110	90,478,405
Restricted	7,015,660	5,694,312	6,142,255
Unrestricted	19,252,959	12,449,231	21,923,791
Total net position	<u>120,638,260</u>	<u>101,487,653</u>	<u>118,544,451</u>
<b>Total Liabilities, Deferred Inflows &amp; Net Position</b>	<u>\$ 196,561,376</u>	<u>\$ 182,047,802</u>	<u>\$ 196,289,561</u>

Eugene Water & Electric Board  
 Water Utility  
 Financial Ratios  
 March 31, 2016

	YEAR-TO-DATE			PERFORMANCE STANDARD
	2016	Status	2015	
Current Ratio	8.192		6.468	≥ 3.250
Debt to Total Assets	0.386		0.443	≤ 0.600
Debt Service Coverage - Annualized	3.954		5.336	≥ 2.000
Operating Ratio	0.505		0.385	≤ 0.570
Days Unrestricted Cash	440		278	
Days Available Cash	237		156	≥ 90
Debt to Equity	52%		75%	≤ 89%

Note that the target ratios are based on annual results. Year-to-date amounts may vary from annual results. Effective 9/30/15, the Rate Stabilization Fund was added to the calculation for Days Available Cash. While board approval is required, this fund is available for use in an emergency.

See next page for Ratio definitions



## Definitions

### **Current Ratio**

Ratio of current assets 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 (i.e. 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, and the rate stabilization 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)



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning, and Mital  
FROM: Susan Fahey, Finance Manager and Sarah Gorsegner, Purchasing Manager  
DATE: April 25, 2016  
SUBJECT: Quarterly Contract Report for Q1 2016  
OBJECTIVE: Information Only

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## **Issue**

The Board requested that management provide a quarterly report of contracts between \$20,000 and \$150,000 which would have come to the Board for approval under the policy limits that were in place prior to August 2013.

## **Background**

A few years ago, the policy was changed to align with Oregon Statute solicitation thresholds which streamlined the contract approval process and allowed the Board and staff to focus on higher dollar contracts and other strategic initiatives.

Current statute and Board thresholds are:

Purchase of all Goods, Equipment, Services and Personal Services: \$ 150,000 or greater  
Purchase of Construction Services: \$ 100,000 or greater

## **Discussion**

Attached is the contract report for the first quarter of 2016. The contracts listed are those that would have previously come to the Board for approval, but which are now below the Board approval threshold.

In addition, contracts in breach of a procurement threshold are reported to the Board, those contracts (if any) will be listed and designated on this list.

## **Recommendation/Requested Board Action**

None at this time. This information is provided for informational purposes only.

If you have any questions regarding the contracts, please contact the Purchasing Manager, Sarah Gorsegner.

Contract Execution Date	Contract #	Contractor	City, State	Description	Contract Amount	Contract Term	Contract Process	LT Manager
02/29/2016	2460	MBL Group LLC	Clackamas, OR	Total Compensation Report-Services are as needed and may include consulting support services to the Employment Personnel Council, salary structure work, or market pricing new positions	\$75,000.00	2/29/16 - 12/31/18	Direct Negotiation	Lena Kostopulos
03/02/2016	2462	Benefit Help Solutions	Eugene, OR	Administration of FSA, COBRA, Retiree Benefits	\$144,000.00	3/2/16 - 12/31/18	Direct Negotiation	Lena Kostopulos
02/12/2016	2464	Sirius/Commvault	San Antonio, TX	Sirius Computer Solutions-Upgrades to IS Data Backup	\$27,000.00	2/12/16 - 4/29/16	Direct Negotiation	Matt Barton
01/21/2016	2465	Parsons Brinckerhoff	Portland, OR	Tunnel Consulting Services- Willamette Water Treatment Project	\$24,939.00	1/21/16 - 3/1/16	Direct Negotiation	Mel Damewood
02/02/2016	2466	Mycoff, Fry, & Prouse, LLC	Conifer, CO	General Manager Recruitment	\$70,000.00	2/2/16 - 12/31/16	Direct Negotiation	Lena Kostopulos
02/05/2016	2467	Delta Operations & Consulting	Eugene, OR	Wastewater Treatment Services for Eco-Machine at ROC	\$125,000.00	2/5/16 - 2/5-2021	Direct Negotiation	Todd Simmons
03/10/2016	2471	Concept Systems	Albany, OR	Hayden Bridge S. Filter 2016 Upgrades	\$90,432.00	3/10/16 - 4/22/16	Informal Request for Quote	Mel Damewood
01/14/2016	16-0003	LCOG	Eugene, OR	EWEB Property Mgmt Tech Assistance	\$90,000.00	1/1/16 - 12/31/16	Intergovernmental Agreement	Steve Newcomb
03/08/2016	16-0006	Oregon DEQ	Salem, OR	Settlement Meeting Cost Reimbursement to State of Oregon re Carmen Smith Relicensing	\$21,900.00	3/8/16 - 12/31/17	Intergovernmental Agreement	Mike McCann

**Contract Awarded and Exceeds the Direct Procurement Threshold of \$40,000 for Construction Services**

01/19/2016	059-2015	Contech Services	Vancouver, WA	Crack and Joint Leak Repairs at Leaburg and Waltherville	\$43,000.00	06/30/2016	Direct Negotiation	Mel Damewood
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Contech Services was initially awarded a contract for \$36,700. After initial contract work was complete, new leaks appeared that required additional repair. Repairs costing \$6,300 were complete by Contech Services and the total contract value of \$43,000 exceeded EWEB's procurement rules threshold of \$40,000 for construction services.

**Total # of Executed Contracts below Board Approval thresholds = 8**

EWEB association for all above contracts = None

Questions? Please contact: Sarah Gorsegner, 541-685-7348



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Sue Fahey, Finance Manager; Susan Eicher, Accounting and Treasury Supervisor  
DATE: April 22, 2016  
SUBJECT: Request for Proposals for Audit Services  
OBJECTIVE: Information Only

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## **Issue**

A few years ago, the Board asked that management prepare and issue requests for proposals (RFP) for several professional services contracts to ensure that EWEB was receiving the best pricing for quality services.

## **Discussion**

In 2016, Finance staff will be requesting proposals for banking services and bond counsel. Additionally, staff was scheduled to issue an RFP for auditing services. External auditors provide independent opinions regarding EWEB's financial operations and also serve as a resource for chief executives. Auditors' opinions and guidance often draw on patterns that have come to their attention over time. In management's assessment, retaining auditors that have experience and knowledge of EWEB's financial operations and internal controls would be beneficial for a new general manager as he/she becomes familiar with EWEB operations. Management will discuss timing of an auditing services RFP with the new general manager.

## **Requested Board Action**

No action required. Information only