



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson
FROM: Cathy Bloom, Finance Manager
Susan Eicher, General Accounting and Treasury Supervisor
DATE: October 27, 2014
SUBJECT: Third Quarter 2014 Financial Report
OBJECTIVE: Information only

Issue

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

Background

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

Discussion

Electric Utility:

Net Income:

The 2014 budget anticipates net income at yearend of \$15.5 million. Year to date net income was \$24.0 million, an increase of \$7.2 million from last year. Operating revenue increased by \$18.9 million with \$11.7 million attributable to retail sales and \$7.2 to wholesale and other revenue. Operating expenses increased \$11.9 million from last year due primarily to increases in purchased power and transmission and distribution expense. Non-operating revenues were similar to last year, while non-operating expenses decreased by \$130 thousand. The projection for yearend net income is \$30.8 million.

Operating Revenue:

At the end of the third quarter, electric retail sales were \$11.7 million more than in 2013. Retail sales are projected to be under budget at yearend. Total retail electric consumption through September was 2.7% less than 2013 and 3.2% less than budget.

Wholesale and other sales were \$7.2 million more than last year at this time, and were \$13.9 million more than the seasonally adjusted budget. Sales volume was up 19.6% from last year. Prices were higher in January and February of 2014 compared to last year, but have been just below previous year levels since then. Overall, wholesale revenue was up 19.6% from 2013. Wholesale and other sales combined have increase by 16.6%. Other sales include services and sales of RECs. The budget assumes streamflows of 90% of normal. Through September, actual streamflows were 92.0% of normal and the projection for yearend was 98.5%.

Operating Expenses:

Operating expenses were \$11.9 million higher than last year at this time and were at 78% of budget, with the increase due to purchased power, wheeling, and transmission and distribution expense. Non-power operating expenses were 66.6% of budget. The increase in transmission and distribution is related to the February snow and ice storm. An application for FEMA funds to offset up to 75% the allowable storm expense was approved and EWEB has received \$1.3 million in FEMA funds. At this time in 2013, operating expenses were 70.5% of budget.

Contribution Margin:

Contribution Margin (CM) is the net of CM revenues and expenses. It is meant to express the amount that power activity contributes to supporting the fixed costs of the utility. CM revenue is made up of retail and wholesale sales plus other miscellaneous power revenue. CM expenses are purchased power, transmission, and fuel for International Paper generation. The CM realized through September was \$3.9 million better than budget. At this time, the yearend forecast shows a positive variance at yearend of \$5.6 million.

Cash and Reserves Balances:

Working cash is above target and all other reserves are at or higher than target as of the end of September. Working cash was well above the \$24 million target, and includes the year to date positive contribution margin variance for 2014. This balance will decrease in the fourth quarter due to budgeted transfers into the capital reserve.

Financing:

No financing is planned in 2014.

Water Utility**Net Income:**

Water utility net income at yearend was budgeted to be \$5.6 million. Net income is generally higher in the summer months and lower or even a net loss in the fall and winter months. Year to date net income was \$10.9 million, compared to \$7.9 million at this time last year. The budget assumed consumption of 7.4 million Kgal. Projections for yearly consumption are currently expected to be slightly higher than target.

Operating Revenue:

At the end of the third quarter, operating revenues were \$2.4 million higher than the previous year and about \$2.4 million above the seasonally adjusted budget. Sales have increased compared to last year at this time due to the February 2013 and 2014 rate increases. Pumping volume was also up about 3.7% over 2013 levels.

Operating Expenses:

Operating expenses were \$565 thousand lower than last year and were at 64.3% of budget. On average, year to date activity should be approximately 75% of the yearly budget. At this time in 2013, operating expenses were 64.3% of budget. All operating expense categories except for depreciation were below budget.

Contribution Margin:

Contribution Margin (CM) is the net of CM revenues and expenses. It is meant to express the amount that water sales activity contributes to supporting the fixed costs of production. CM revenue is made up of residential, commercial and industrial plus other miscellaneous sales, including sales to water districts. CM expenses are source of supply, pumping and purification. At this time, the yearend forecast shows a positive variance of \$2.7 million due primarily to better than projected in operating revenue and production costs running less than budget.

Cash and Reserves Balances:

Working cash as of September was \$6.8 million, and is above the yearend target level of \$3.4 million. General cash levels are projected to exceed the targeted level of \$3.4 million by yearend. The capital improvement reserve is projected to end the year slightly above target. The operating/self insurance funds are projected to end the year with the operating fund partially funded and the self insurance fund at target.

Recommendation

There is no specific recommendation or requested action.

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

CASH ACCOUNT	FINANCIAL POLICY REFERENCE	ELECTRIC SYSTEM			WATER UTILITY		
		TARGET FLOOR	TARGET CEILING	BALANCE 09/30/2014	TARGET FLOOR	TARGET CEILING	BALANCE 09/30/2014
RESERVES							
1) Operating Reserve	Rate Stability Policy	\$ 2,000,000	\$ -	\$ 1,723,652	\$ 1,000,000	\$ -	\$ 797,740
2) Self-Insurance Reserve	Rate Stability Policy	1,720,000	-	1,764,910	280,000	-	287,237
3) Power Reserve	Rate Stability Policy	23,200,000	-	23,310,780	-	-	-
4) Capital Improvement Reserve	Capital Reserve Policy	7,500,000	18,000,000	17,288,831	3,500,000	7,000,000	3,895,873
RESERVES TOTAL		\$ 34,420,000	\$ 18,000,000	\$ 44,088,173	\$ 4,780,000	\$ 7,000,000	\$ 4,980,850
DESIGNATED FUNDS⁽¹⁾							
5) Unallocated Power Fund		-	-	147,295	-	-	-
Water Stewardship Fund- Septic Repairs		-	-	-	-	-	82,547
Economic Development Loan Pilot Program Fund		-	-	1,925,428	-	-	38,682
Steam Transition Fund		-	-	246,844	-	-	-
Alternate Water Supply Fund		-	-	-	-	-	509,469
Harvest Wind Fund		-	-	26,942,578	-	-	-
Carmen-Smith Fund		-	-	15,687,691	-	-	-
6) Pension & Post Retirement Medical Fund		-	-	5,963,255	-	-	481,049
DESIGNATED FUNDS TOTAL		\$ -	\$ -	\$ 50,913,091	\$ -	\$ -	\$ 1,111,747
CASH FOR OPERATIONS							
7) Working Cash	Rate Sufficiency Policy	24,000,000	-	43,608,011	3,400,000	-	6,618,098
CASH TARGETS & BALANCES TOTAL		\$ 58,420,000	\$ 68,920,000	\$ 138,609,275	\$ 8,180,000	\$ 11,680,000	\$ 12,710,695
LEGALLY RESTRICTED							
8) Bond Funds - Type II & III				24,548,266			5,455,121
System Development Charge Reserves				-			1,347,141
Reserves & Investments for Debt Service				13,382,684			3,022,182
Contribution in Aid				1,214,758			-
RESTRICTED FUNDS TOTAL				\$ 39,145,708			\$ 9,824,444

Financial Policy - Total Targets included in ceiling

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

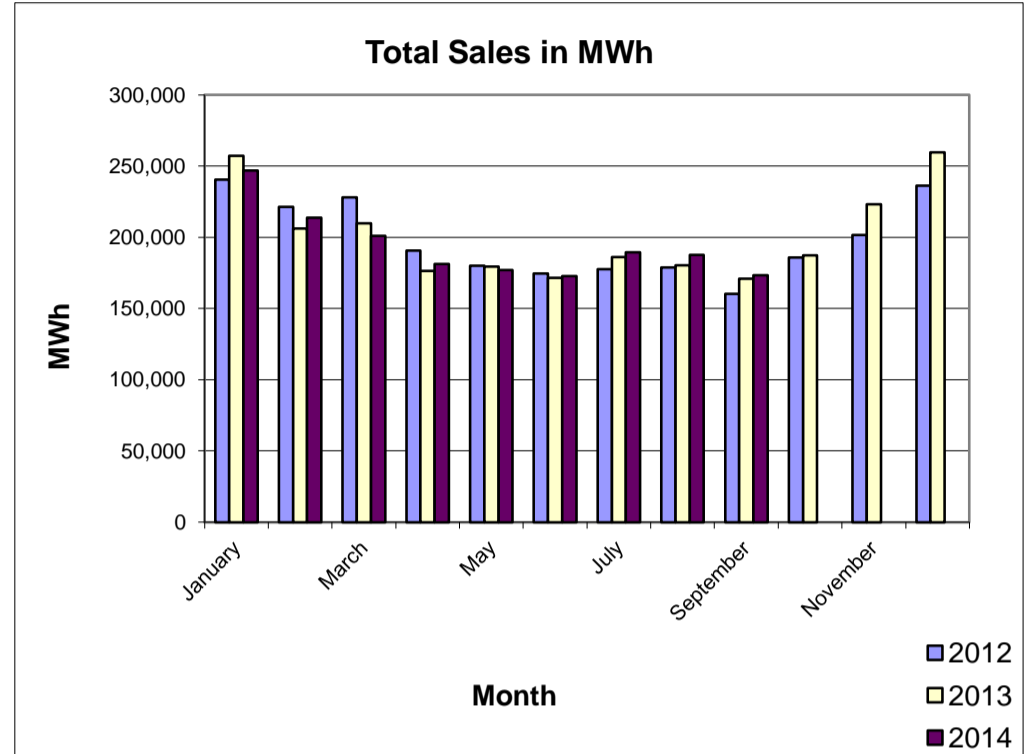
Notes:

⁽¹⁾ Designated funds are used for one time expenditures.

Electric Utility Sales in MWh September 2014

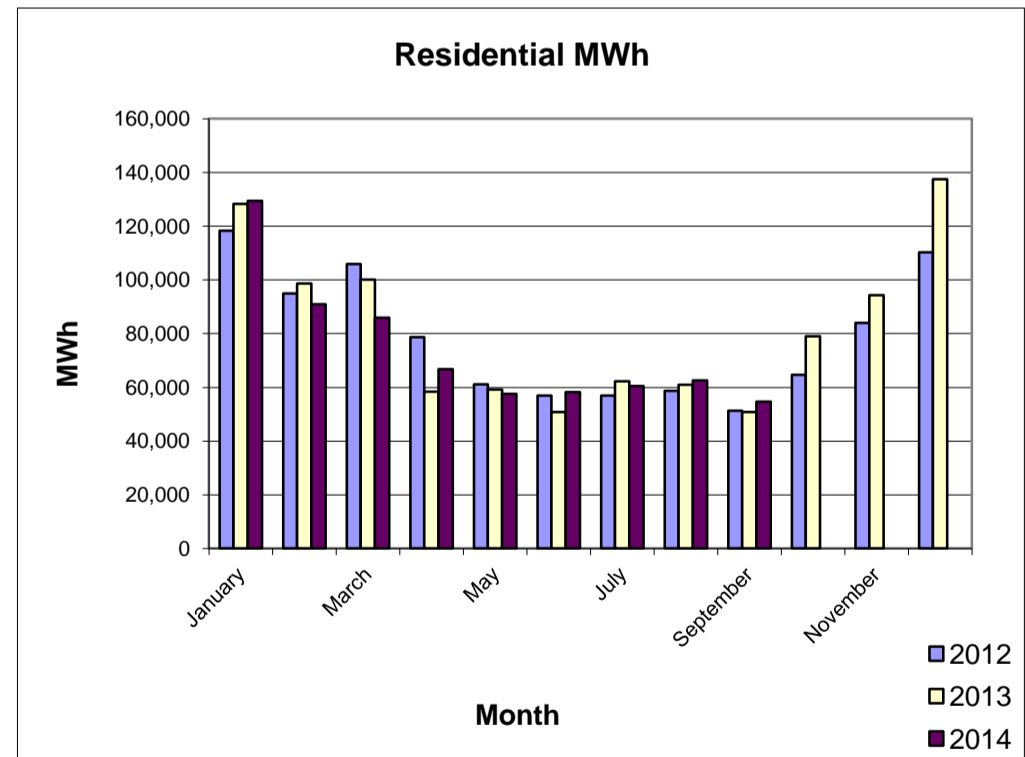
Total Electric Utility Sales in MWh

	2012	2013	2014
January	240,373	257,093	246,897
February	221,301	206,073	213,721
March	228,123	209,892	201,085
Q1 total	689,797	673,058	661,703
April	190,510	176,531	181,338
May	179,943	179,544	176,849
June	174,557	171,487	172,861
Q2 total	545,010	527,562	531,048
July	177,718	186,179	189,368
August	178,883	180,320	187,651
September	160,149	170,968	173,396
Q3 total	516,750	537,467	550,415
October	185,806	187,228	0
November	201,486	223,065	0
December	236,220	259,701	0
Q4 total	623,512	669,994	0
Annual total	2,375,069	2,408,081	1,743,166



Residential Sales in MWh

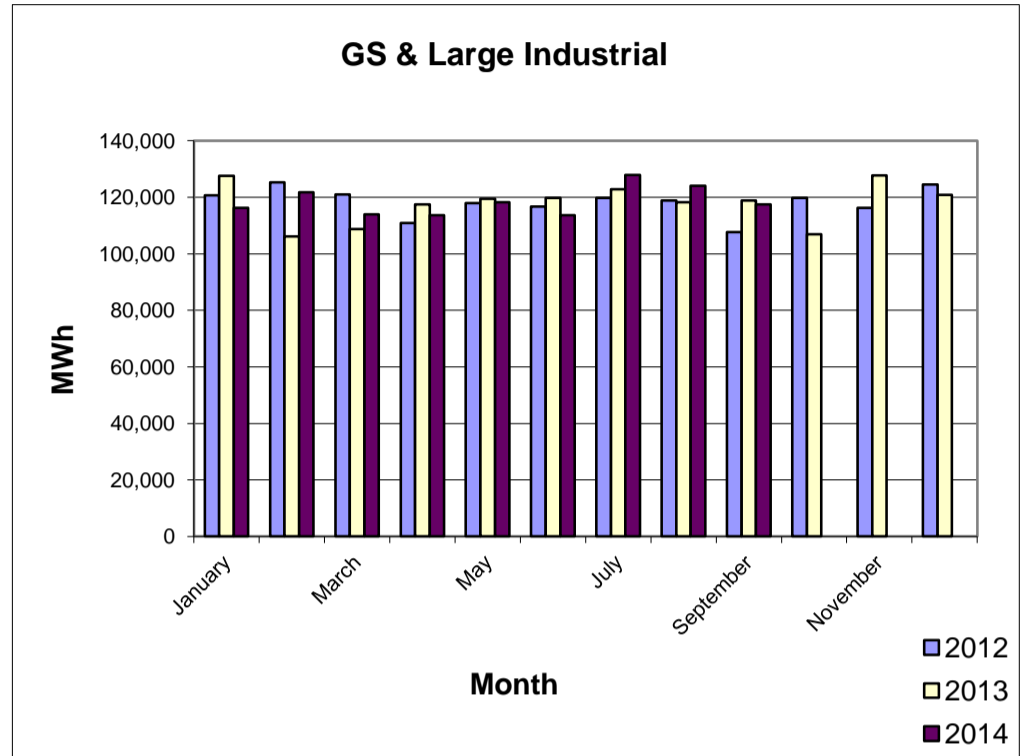
	2012	2013	2014
January	118,374	128,308	129,434
February	94,954	98,751	90,865
March	105,964	100,089	86,008
Q1 total	319,292	327,148	306,307
April	78,633	58,331	66,739
May	61,146	59,174	57,652
June	56,895	50,849	58,311
Q2 total	196,674	168,354	182,702
July	56,933	62,311	60,462
August	58,651	60,936	62,552
September	51,328	50,898	54,751
Q3 total	166,912	174,145	177,765
October	64,742	79,087	0
November	83,974	94,314	0
December	110,327	137,467	0
Q4 total	259,043	310,868	0
Total	941,921	980,515	666,774



Electric Utility Sales in MWh September 2014

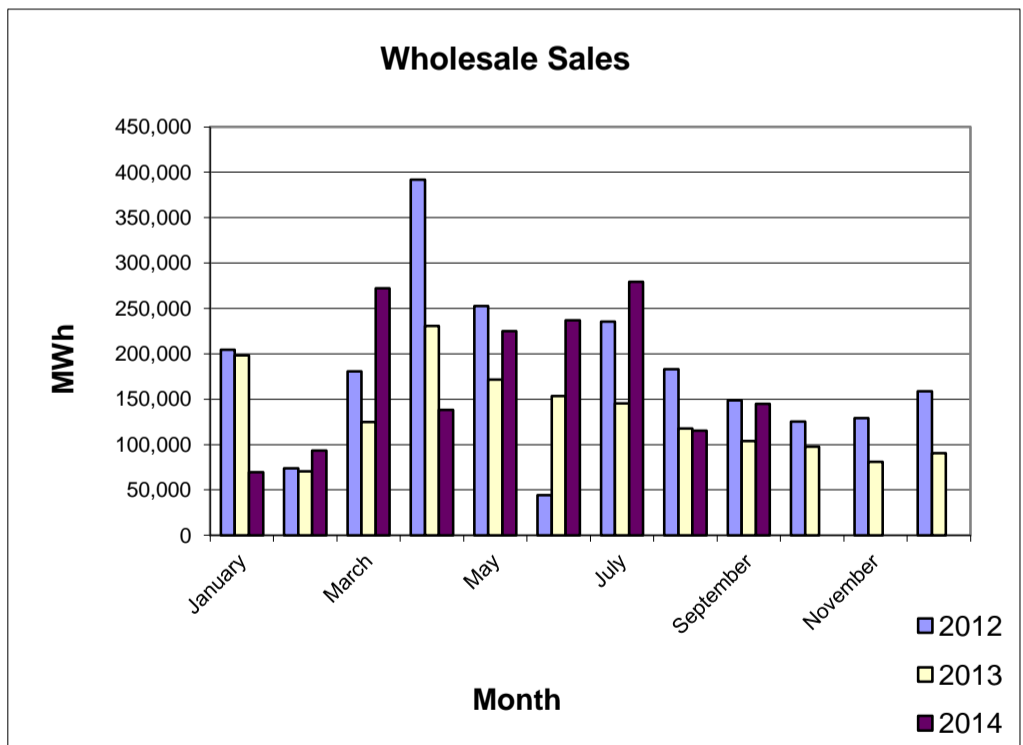
General Service & Large Industrial Sales in MWh

	2012	2013	2014
January	120,705	127,580	116,239
February	125,266	106,201	121,842
March	121,056	108,764	114,007
	<u>367,027</u>	<u>342,545</u>	<u>352,088</u>
April	110,882	117,486	113,740
May	117,887	119,518	118,322
June	116,739	119,787	113,703
	<u>345,508</u>	<u>356,791</u>	<u>345,765</u>
July	119,760	122,885	127,947
August	118,835	118,305	124,008
September	107,697	118,943	117,531
	<u>346,292</u>	<u>360,133</u>	<u>369,486</u>
October	119,782	106,929	0
November	116,238	127,714	0
December	124,563	120,800	0
	<u>360,583</u>	<u>355,443</u>	<u>0</u>
Total	<u><u>1,419,410</u></u>	<u><u>1,414,912</u></u>	<u><u>1,067,339</u></u>



Total Wholesale Sales in MWh

	2012	2013	2014
January	204,606	198,192	69,372
February	73,597	70,543	93,166
March	180,645	124,994	272,177
	<u>458,848</u>	<u>393,729</u>	<u>434,715</u>
April	391,978	230,512	137,930
May	252,453	171,488	224,853
June	44,137	153,436	237,088
	<u>688,568</u>	<u>555,436</u>	<u>599,871</u>
July	235,240	145,163	279,471
August	183,066	117,527	115,137
September	148,673	103,682	144,646
	<u>566,979</u>	<u>366,372</u>	<u>539,254</u>
October	125,449	97,400	0
November	128,963	81,125	0
December	158,694	90,633	0
	<u>413,106</u>	<u>269,158</u>	<u>0</u>
Total	<u><u>2,127,501</u></u>	<u><u>1,584,695</u></u>	<u><u>1,573,840</u></u>
Generation %	106%	97%	99.0%



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

	<u>2014</u>	<u>2013</u>	<u>December</u> <u>2013</u>
Assets			
<u>Capital assets</u>			
Utility plant in service	\$ 710,239,978	\$ 691,231,398	\$ 706,852,202
Less - Accumulated depreciation	(366,687,534)	(350,294,413)	(352,189,557)
Net utility plant in service	<u>343,552,444</u>	<u>340,936,985</u>	<u>354,662,645</u>
Property held for future use	3,436,406	3,435,734	3,436,406
Construction work in progress	23,539,454	23,243,722	11,523,260
Net utility plant	<u>370,528,304</u>	<u>367,616,441</u>	<u>369,622,311</u>
<u>Current assets</u>			
Cash and cash equivalents	6,708,190	5,486,916	8,660,695
Short-term investments	36,712,498	30,548,222	17,792,962
Restricted cash and investments			
Debt service reserve	9,335,549	9,333,522	9,334,082
Customer deposit reserve	2,739,150	5,387,435	2,631,362
Harvest Wind escrow accounts	2,109,075	2,069,336	2,132,291
Construction reserve	25,763,024	27,568,799	18,068,918
Investments for debt service	4,047,135	3,738,386	9,331,859
Designated cash and investments			
Power reserve	23,310,780	13,318,800	4,278,925
Unallocated power fund	147,295	21,793,774	17,791,215
Capital improvement reserve	17,535,675	14,466,370	9,267,995
Carmen-Smith fund	15,687,691	20,020,051	13,029,188
Harvest Wind reserve	26,942,578	-	-
Operating reserve	5,413,989	6,742,359	6,128,477
Pension and medical fund	5,963,255	4,038,033	4,018,969
Receivables, less allowances	26,869,576	24,777,146	35,572,170
Due from Water System	769,074	937,882	848,767
Materials and supplies, at average cost	4,793,839	2,910,437	4,910,025
Prepays	8,134,968	8,290,990	8,628,194
Option premiums, short-term	754,720	858,801	1,120,600
Total current assets	<u>223,738,061</u>	<u>202,287,260</u>	<u>173,546,694</u>
<u>Non-current assets</u>			
Prepaid retirement obligation	11,252,445	12,196,705	11,960,640
Long-term receivable, conservation and other	4,779,997	4,700,339	4,801,343
Due from Water System	18,100,379	18,758,114	18,584,729
Long-term investments	-	-	44,580,415
Investment in WGA	(837,744)	1,302,851	(638,549)
Investment in Harvest Wind	26,296,569	27,463,029	27,571,629
Nonutility Property	10,411,792	7,795,125	9,310,036
Other assets	55,351,030	53,726,504	54,846,044
Total non-current assets	<u>125,354,468</u>	<u>125,942,667</u>	<u>171,016,287</u>

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

	<u>2014</u>	<u>2013</u>	<u>December 2013</u>
Deferred Outflows			
Deferred outflows of resources	2,171,614	725,402	2,936,267
 Total Assets and Deferred Outflows	 \$ 721,792,447	 \$ 696,571,771	 \$ 717,121,559
 Liabilities			
<u>Current liabilities</u>			
Payables	\$ 17,085,968	\$ 15,493,801	\$ 25,109,525
Accrued payroll and benefits	4,534,153	4,066,887	3,554,112
Accrued interest on long-term debt	2,472,336	2,609,760	5,257,768
Long-term debt due within one year	42,081,349	11,554,644	11,583,370
Total current liabilities	<u>66,173,806</u>	<u>33,725,093</u>	<u>45,504,775</u>
<u>Non-current liabilities</u>			
Long-term debt	254,047,191	295,269,948	296,008,315
Other liabilities	2,562,549	3,700,657	3,267,083
Total liabilities	<u>322,783,546</u>	<u>332,695,697</u>	<u>344,780,173</u>
 Deferred Inflows			
Deferred Inflows of resources	5,128,626	1,903,633	5,119,369
 Net Position			
Net investment in capital assets	168,451,131	157,823,769	149,739,166
Restricted	14,593,094	16,483,000	16,948,633
Unrestricted	210,836,050	187,665,672	200,534,218
Total net position	<u>393,880,275</u>	<u>361,972,441</u>	<u>367,222,017</u>
 Total Liabilities, Deferred Inflows, and Net Position	 \$ 721,792,447	 \$ 696,571,771	 \$ 717,121,559

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

	<u><u>2014</u></u>	<u><u>2013</u></u>
Residential	\$ 67,922,125	\$ 62,868,565
Commercial and industrial	72,676,771	65,994,347
Sale for resale and other	<u>50,445,571</u>	<u>43,283,133</u>
Operating Revenues	<u>191,044,467</u>	<u>172,146,045</u>
Purchased power	88,009,692	80,776,326
System control	4,894,674	4,422,759
Wheeling	9,439,361	8,898,066
Generation	8,845,342	8,198,120
Transmission and distribution	14,233,330	12,539,228
Customer accounting	5,923,959	6,035,829
Conservation expenses	2,115,953	2,717,243
Administrative and general	14,762,579	13,765,486
Depreciation on utility plant	<u>14,196,697</u>	<u>13,200,348</u>
Operating Expenses	<u>162,421,587</u>	<u>150,553,405</u>
Net Operating Income (Loss)	<u>28,622,880</u>	<u>21,592,640</u>
Investment earnings	750,003	712,291
Interest earnings, Water	856,615	871,178
Allowance for funds used during construction	54,142	47,637
Other revenue	<u>4,345,063</u>	<u>4,367,797</u>
Non-operating Revenues	<u>6,005,823</u>	<u>5,998,903</u>
Other expenses	1,307,427	1,172,177
Interest expense and related amortization	9,337,186	9,606,999
Allowance for borrowed funds used during construction	<u>(35,000)</u>	<u>(39,100)</u>
Other Non-operating Expenses	<u>10,609,613</u>	<u>10,740,076</u>
Income (Loss) Before Capital Contributions	24,019,090	16,851,467
Contributions in aid of construction	<u>2,639,169</u>	<u>2,025,509</u>
Increase (Decrease) in Net Position	26,658,259	18,876,976
Total net position at beginning of year	<u>367,222,016</u>	<u>343,095,465</u>
Total Net Position at End of the Period	<u><u>\$ 393,880,275</u></u>	<u><u>\$ 361,972,441</u></u>

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

Residential – Retail sales to residential electric customers.

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

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

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

Purchased Power – Power purchases from BPA and wholesale counterparties.

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

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

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

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

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

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

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

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

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

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

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

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

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

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








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

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

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

Net Position – Accumulated equity

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

	YEAR-TO-DATE			TARGET
	2014	Status	2013	
Current Ratio	3.381		5.998	≥ 3.250
Debt to Total Assets	0.454		0.480	≤ 0.600
Debt Service Coverage	2.692		2.328	≥ 1.750
Operating Ratio	0.776		0.798	≤ 0.770
Days Unrestricted Cash	263		215	
Days Available Cash	136		143	≥ 90
Debt to Equity	63%		81%	≤ 91%

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

See next page for Ratio definitions and benchmark sources

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

Current Ratio

Total current assets to total current liabilities.

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

Debt to Total Assets

Long-term debt plus current liabilities to total assets.

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

Debt Service Coverage

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

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

Operating Ratio

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

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

Days Unrestricted Cash (Rating Agency Model)

Ratio of total unrestricted cash and cash equivalents

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

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

Days Available Cash (EWEB Internal Model)

Ratio of total available cash (defined as working cash and equivalents plus general operating reserves)

to adjusted average daily cash requirements for operating and other non-capital expenses (defined as actual YTD expenditures plus remaining pro-rated budget expenses for the year divided by 365 days in the year). This is a modification of Days Unrestricted Cash measuring the length

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

Debt to Equity

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

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

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

	Quarter 1			Quarter 2			Quarter 3			Quarter 4		Total Annual Budget	Total Annual Projection	Total Budget Estimate Variance
	Budget Estimate 3/31/14	Actual 3/31/14	QTD Variance 3/31/14	Budget Estimate 6/30/14	Actual 6/30/14	QTD Variance 6/30/14	Budget Estimate 9/30/14	Actual 9/30/14	QTD Variance 9/30/14	Budget Estimate 12/31/14	Projection 12/31/14			
Income Statement:														
Operating revenues	\$ 65.5	\$ 70.0	\$ 4.6	\$ 55.5	\$ 61.1	\$ 5.6	\$ 51.7	\$ 59.9	\$ 8.2	\$ 59.5	\$ 65.9	\$ 232.1	\$ 256.9	\$ 24.8
Operating expenses	53.5	55.7	(2.2)	49.0	51.6	(2.6)	52.6	55.1	(2.5)	52.8	57.0	207.8	219.4	(11.6)
Net operating revenue (loss)	12.0	14.3	2.4	6.5	9.5	3.0	(0.9)	4.8	5.7	6.7	8.9	24.3	37.5	13.2
Other revenues	1.3	1.1	(0.2)	1.3	1.3	(0.0)	1.3	3.6	2.4	1.3	1.3	5.1	7.3	2.2
Other expenses	3.4	3.7	(0.3)	3.4	3.6	(0.2)	3.4	3.3	0.1	3.4	3.4	13.6	14.0	(0.4)
Income (loss) Before contributed capital	\$ 9.8	\$ 11.7	\$ 1.9	\$ 4.4	\$ 7.2	\$ 2.8	\$ (3.0)	\$ 5.1	\$ 8.1	\$ 4.5	\$ 6.8	\$ 15.8	\$ 30.8	\$ 15.0
Contribution margin:	\$34.8	\$34.6	(\$0.2)	\$28.0	\$29.6	\$1.5	\$22.6	\$25.0	\$2.4	\$29.9	\$31.7	\$115.4	\$120.9	\$5.6
Capital activity:														
Plant additions	\$ 4.1	\$ 3.6	\$ (0.5)	\$ 6.4	\$ 6.0	\$ (0.4)	\$ 6.5	\$ 5.9	\$ (0.7)	\$ 8.4	\$ 9.9	\$ 25.4	\$ 25.4	\$ -
Carmen Smith	0.3	0.2	(0.1)	0.6	0.3	(0.2)	0.8	0.5	(0.3)	1.6	2.2	3.2	3.2	-
Total capital	\$ 4.4	\$ 3.8	\$ (0.5)	\$ 6.9	\$ 6.3	\$ (0.6)	\$ 7.3	\$ 6.4	\$ (0.9)	\$ 10.0	\$ 12.0	\$ 28.6	\$ 28.6	\$ -
Debt activity:														
Payment of interest and principal	\$ 6.5	\$ 5.6	\$ (0.9)	\$ 6.5	\$ 6.9	\$ 0.5	\$ 6.5	\$ 5.9	\$ (0.5)	\$ 6.5	\$ 7.4	\$ 25.8	\$ 25.8	\$ -
Proceeds from borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total debt activity	\$ 6.5	\$ 5.6	\$ (0.9)	\$ 6.5	\$ 6.9	\$ 0.5	\$ 6.5	\$ 5.9	\$ (0.5)	\$ 6.5	\$ 7.4	\$ 25.8	\$ 25.8	\$ -
	Budget Estimate 3/31/14	Actual 3/31/14	Variance 3/31/14	Budget Estimate 6/30/14	Actual 6/30/14	Variance 6/30/14	Budget Estimate 9/30/14	Actual 9/30/14	QTD Variance 9/30/14	Budget Estimate 12/31/14	Projection 12/31/14	Total Annual Target/Budget	Total Annual Projection	Total Budget Estimate Variance
Unrestricted cash:														
Cash and cash equivalents	\$ 24.0	\$ 43.6	\$ 19.6	\$ 24.0	\$ 39.1	\$ 15.1	\$ 24.0	\$ 43.4	\$ 19.4	\$ 24.0	\$ 32.8	\$ 24.0	\$ 32.8	\$ 8.8
Power reserve	13.2	13.3	0.1	13.2	13.3	0.1	23.2	23.3	0.1	23.2	23.4	23.2	23.4	0.2
Unallocated power funds	-	21.8	21.8	-	10.1	10.1	-	0.1	0.1	-	6.6	-	6.6	6.6
Capital improvement funds	7.5	13.9	6.4	7.5	16.5	9.0	7.5	17.5	10.0	7.5	15.3	7.5	15.3	7.8
Operating and self-insurance funds	2.7	6.1	3.4	3.7	5.4	1.7	3.7	5.4	1.7	3.7	5.4	3.7	5.4	1.7
Pension and medical funds	-	4.0	4.0	-	6.0	6.0	-	6.0	6.0	-	5.9	-	5.9	5.9
Harvest Wind reserve	-	-	-	-	26.9	26.9	-	26.9	26.9	-	27.0	-	27.0	27.0
Carmen-Smith funds	-	20.0	20.0	-	15.7	15.7	-	15.7	15.7	-	15.7	-	15.7	15.7
Total unrestricted cash	\$ 47.4	\$ 122.8	\$ 75.4	\$ 48.4	\$ 133.0	\$ 84.6	\$ 58.4	\$ 138.4	\$ 80.0	\$ 58.4	\$ 132.1	\$ 58.4	\$ 132.1	\$ 73.7
Restricted cash:														
Customer deposits and other restricted cash	\$ -	\$ 4.8	\$ 4.8	\$ -	\$ 4.8	\$ 4.8	\$ -	\$ 4.8	\$ 4.8	\$ -	\$ 4.9	\$ -	\$ 4.9	\$ 4.9
Construction reserve	-	27.7	27.7	-	26.3	26.3	-	25.8	25.8	-	25.0	-	25.0	25.0
Investments and reserves for debt service	-	18.2	18.2	-	23.8	23.8	-	13.4	13.4	-	19.5	-	19.5	19.5
Total restricted cash	\$ -	\$ 50.8	\$ 50.8	\$ -	\$ 55.0	\$ 55.0	\$ -	\$ 44.0	\$ 44.0	\$ -	\$ 49.3	\$ -	\$ 49.3	\$ 49.3

Footnotes:

All numbers are presented in millions

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

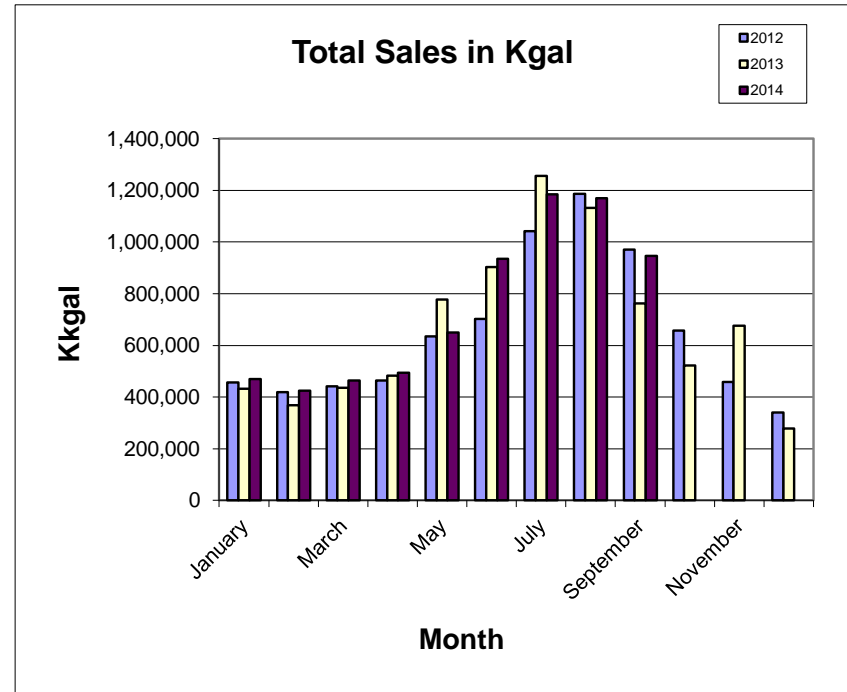
QTD variances are actual cumulative results compared to budget estimates for each quarter.

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

Water Utility Sales in Kgal 2014

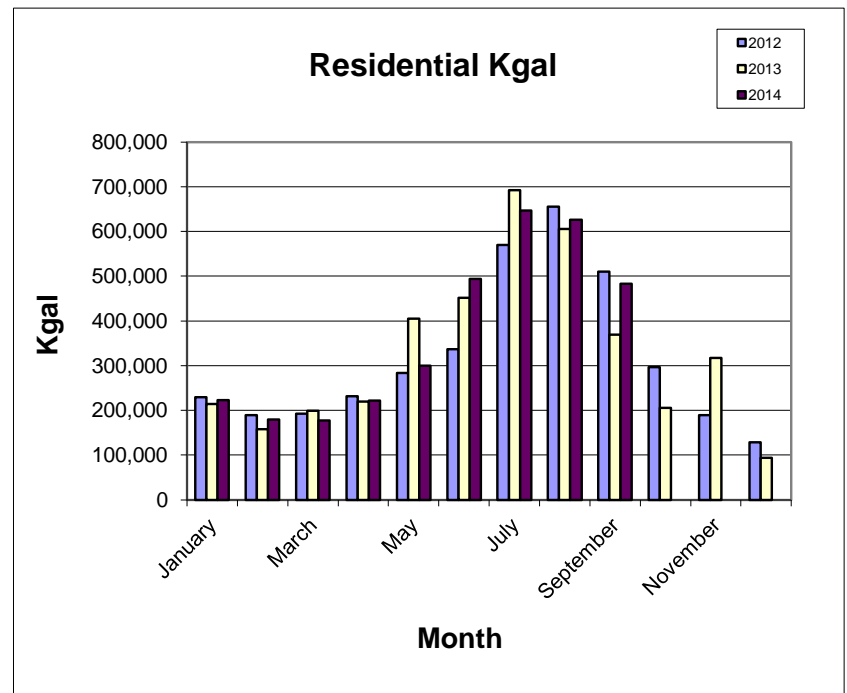
Total Water Sales in Kgal

	2012	2013	2014
January	456,723	432,590	469,967
February	419,244	368,791	424,408
March	442,401	436,077	463,973
Q1 total	1,318,368	1,237,458	1,358,348
April	463,512	482,298	493,852
May	633,981	777,945	650,078
June	702,522	903,495	935,507
Q2 total	1,800,015	2,163,738	2,079,437
July	1,042,623	1,255,686	1,185,522
August	1,187,331	1,132,833	1,168,830
September	970,920	762,099	946,113
Q3 total	3,200,874	3,150,618	3,300,465
October	656,952	523,088	0
November	458,211	676,720	0
December	339,931	278,689	0
Q4 total	1,455,094	1,478,497	0
Annual total	7,774,351	8,030,311	6,738,250



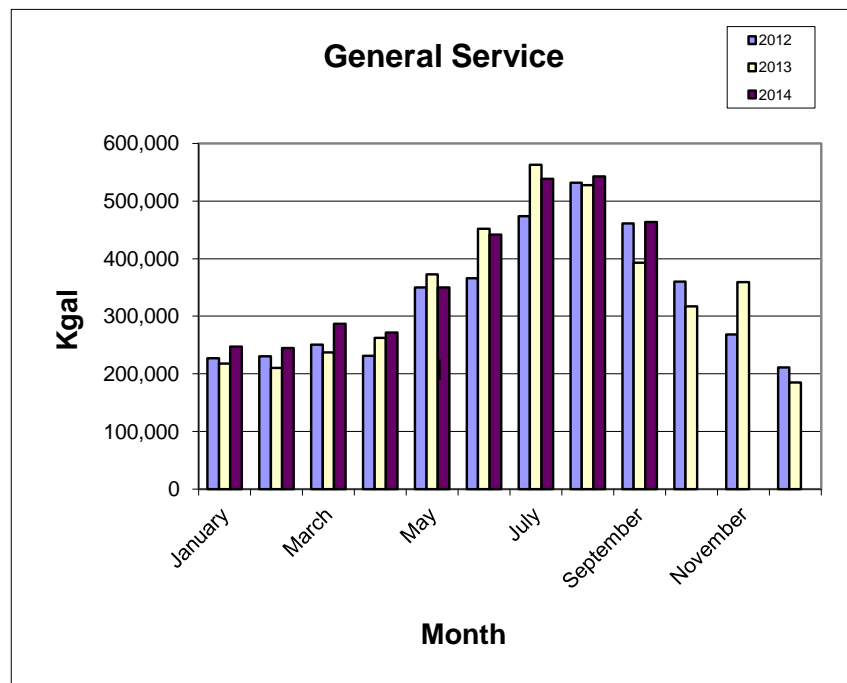
Residential Sales in Kgal

	2012	2013	2014
January	229,790	214,316	222,490
February	188,850	157,996	179,454
March	192,009	199,000	176,867
Q1 total	610,649	571,312	578,811
April	231,678	219,449	221,689
May	283,710	404,918	300,111
June	336,946	451,444	493,850
Q2 total	852,334	1,075,811	1,015,650
July	569,350	692,568	647,084
August	655,596	605,424	626,527
September	509,996	369,368	482,893
Q3 total	1,734,942	1,667,360	1,756,504
October	296,821	206,009	0
November	189,396	317,555	0
December	128,668	93,757	0
Q4 total	614,885	617,321	0
Total	3,812,810	3,931,804	3,350,965



General Service in Kgal

	2012	2013	2014
January	226,933	218,274	247,477
February	230,394	210,795	244,954
March	250,392	237,077	287,106
Q1 total	707,719	666,146	779,537
April	231,834	262,849	272,163
May	350,271	373,027	349,967
June	365,576	452,051	441,657
Q2 total	947,681	1,087,927	1,063,787
July	473,273	563,118	538,438
August	531,735	527,409	542,303
September	460,924	392,731	463,220
Q3 total	1,465,932	1,483,258	1,543,961
October	360,131	317,079	0
November	268,815	359,165	0
December	211,263	184,932	0
Q4 total	840,209	861,176	0
Total	3,961,541	4,098,507	3,387,285



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

	<u>2014</u>	<u>2013</u>	<u>December 2013</u>
Assets			
<u>Capital assets</u>			
Utility plant in service	\$ 227,192,878	\$ 213,501,875	\$ 221,915,523
Less - Accumulated depreciation	(98,714,090)	(93,517,749)	(94,453,719)
Net utility plant in service	<u>128,478,788</u>	<u>119,984,126</u>	<u>127,461,804</u>
Property held for future use	968,578	968,578	968,578
Construction work in progress	11,919,644	12,873,684	7,737,813
Net Utility Plant	<u>141,367,009</u>	<u>133,826,388</u>	<u>136,168,195</u>
<u>Current assets</u>			
Cash and cash equivalents	6,805,421	3,882,942	4,198,847
Restricted cash and investments			
Debt service reserve	2,367,850	2,367,336	2,367,478
Customer deposits and others	52,667	177,732	52,453
Construction fund	5,455,121	8,659,493	5,560,171
System development charge reserves	1,347,141	1,282,218	441,397
Investments for debt service	654,331	655,318	1,638,327
Designated cash and investments			
Capital improvement reserve	3,895,873	1,637,176	3,676,785
Alternative Water Supply	509,469	-	-
Operating reserve	1,206,206	372,451	386,253
Pension and medical reserve	481,049	-	-
Receivables, less allowances	6,154,657	4,400,143	3,486,690
Material and supplies, at average cost	1,083,670	771,365	1,064,553
Prepayments and special deposits	1,650,476	1,693,464	1,708,311
Total current assets	<u>31,663,931</u>	<u>25,899,637</u>	<u>24,581,265</u>
<u>Non-current assets</u>			
Investment - restricted	-	-	2,000,740
Prepaid retirement obligation	2,470,058	2,677,335	2,625,515
Other assets	1,473,253	1,557,753	1,512,925
Total non-current assets	<u>3,943,311</u>	<u>4,235,088</u>	<u>6,139,180</u>
Deferred Outflows of Resources			
Deferred Outflows of Resources	<u>784,246</u>	<u>861,530</u>	<u>843,318</u>
Total Assets & Deferred Outflows	<u>\$ 177,758,497</u>	<u>\$ 164,822,642</u>	<u>\$ 167,731,958</u>

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

	<u>2014</u>	<u>2013</u>	<u>December 2013</u>
Liabilities			
<u>Current liabilities</u>			
Payables	\$ 1,091,168	\$ 644,300	\$ 1,506,492
Accrued payroll and benefits	1,140,271	834,908	716,923
Accrued interest on long-term debt	342,732	358,622	896,548
Long-term debt due within one year	1,840,000	1,780,000	1,780,000
Due to Electric System	769,075	937,882	848,767
Total current liabilities	<u>5,183,246</u>	<u>4,555,712</u>	<u>5,748,730</u>
<u>Non-current liabilities</u>			
Long term debt			
-note and bonds payable	45,869,785	47,728,969	47,724,145
Due to Electric System	18,100,379	18,758,114	18,584,729
Other liabilities	46,003	31,366	282,849
Total liabilities	<u>69,199,413</u>	<u>71,074,161</u>	<u>72,340,453</u>
 Deferred Inflows of Resources			
Deferred inflows of resources	635,226	306,178	628,804
 Net Position			
Net invested in capital assets	83,150,139	77,341,857	78,008,145
Restricted	4,033,255	4,123,984	3,603,107
Unrestricted	20,740,464	11,976,462	13,151,449
Total net position	<u>107,923,858</u>	<u>93,442,303</u>	<u>94,762,701</u>
 Total Liabilities, Deferred Inflows & Net Position	 <u>\$ 177,758,497</u>	 <u>\$ 164,822,642</u>	 <u>\$ 167,731,958</u>

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

	<u><u>2014</u></u>	<u><u>2013</u></u>
Residential	\$ 15,415,201	\$ 14,324,806
Commercial and industrial	12,089,440	10,936,714
Sale for resale and other	737,705	556,509
Operating Revenues	<u>28,242,346</u>	<u>25,818,029</u>
Source of supply, pumping and purification	2,208,121	2,174,532
Transmission and distribution	5,129,511	5,527,359
Customer accounting	1,017,571	1,024,713
Conservation expenses	122,586	150,289
Administrative and general	2,519,724	3,119,151
Depreciation on utility plant	4,263,956	3,830,536
Operating Expenses	<u>15,261,469</u>	<u>15,826,580</u>
Net Operating Income (Loss)	<u>12,980,877</u>	<u>9,991,449</u>
Investment earnings	63,710	61,230
Allowance for funds used during construction	36,050	29,037
Other revenue	574,042	597,330
Non-operating Revenues	<u>673,802</u>	<u>687,597</u>
Other revenue deductions	239,305	188,497
Interest expense and related amortization	1,696,308	1,750,780
Interest expense, Electric	856,615	871,178
Allowance for borrowed funds used during construction	(15,300)	(14,800)
Non-operating Expenses	<u>2,776,928</u>	<u>2,795,655</u>
Income (loss) before capital contributions	<u>10,877,751</u>	<u>7,883,391</u>
Contribution in aid of construction	919,258	634,460
System development charges	1,364,148	1,031,054
Capital Contributions	<u>2,283,406</u>	<u>1,665,514</u>
Increase (Decrease) in net position	13,161,157	9,548,905
Total net position at beginning of year	<u>94,762,701</u>	<u>83,893,398</u>
Total Net Position at End of Year	<u><u>\$ 107,923,858</u></u>	<u><u>\$ 93,442,303</u></u>

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

Residential – Retail sales to residential water customers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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








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

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

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

Net Assets – Accumulated equity

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

	YEAR-TO-DATE			TARGET
	2014	Status	12/31/2013	
Current Ratio	6.109		4.276	≥ 3.250
Debt to Total Assets	0.393		0.431	≤ 0.600
Debt Service Coverage - Annualized	5.658		4.579	≥ 2.000
Operating Ratio	0.389		0.513	≤ 0.570
Days Unrestricted Cash	249		174	
Days Available Cash	152		94	≥ 90
Debt to Equity	59%		70%	≤ 89%

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

See next page for Ratio definitions

Definitions

Current Ratio

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

Debt to Total Assets

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

Debt Service Coverage

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

Operating Ratio

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

Days Unrestricted Cash (Rating Agency Model)

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

Days Available Cash (EWEB Internal Model)

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

Debt to Equity

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

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

	Quarter 1			Quarter 2			Quarter 3			Quarter 4		Total Annual Budget	TOTAL Total Annual Projection	Total Budget Estimate Variance
	Budget Estimate 3/31/14	Actual 3/31/14	Qtrly Variance 3/31/14	Budget Estimate 6/30/14	Actual 6/30/14	Qtrly Variance 6/30/14	Budget Estimate 9/30/14	Actual 9/30/14	Qtrly Variance 9/30/14	Budget Estimate 12/31/14	Projection 12/31/14			
Income Statement														
Operating revenues	\$ 5,362	\$ 6,741	\$ 1,379	\$ 7,424	\$ 9,372	\$ 1,948	\$ 13,720	\$ 12,129	\$ (1,591)	\$ 6,100	\$ 6,466	\$ 32,607	\$ 34,709	\$ 2,102
Operating expenses	5,937	4,642	(1,295)	5,937	5,109	(828)	5,937	5,510	(427)	5,937	5,581	23,749	20,842	(2,906)
Net operating revenue (loss)	(575)	2,099	2,674	1,487	4,263	2,776	7,783	6,619	(1,164)	163	885	8,858	13,866	5,008
Non-operating revenues	86	86	(0)	86	135	49	86	452	366	86	226	345	900	555
Non-operating expenses	890	911	20	890	973	83	890	893	3	890	926	3,561	3,703	142
Income (loss) Before contributed capital	\$ (1,379)	\$ 1,274	\$ 2,653	\$ 683	\$ 3,425	\$ 2,742	\$ 6,979	\$ 6,178	\$ (801)	\$ (641)	\$ 186	\$ 5,642	\$ 11,063	\$ 5,421
Contribution margin	\$ 4,508	\$ 6,138	\$ 1,630	\$ 6,570	\$ 8,025	\$ 1,455	\$ 12,866	\$ 9,921	\$ (2,945)	\$ 5,247	\$ 5,247	\$ 29,191	\$ 29,331	\$ 139
Capital activity:														
Plant additions - net of contributions	\$ 2,922	\$ 2,722	\$ (200)	\$ 2,922	\$ 2,677	\$ (245)	\$ 6,044	\$ 3,761	\$ (2,283)	\$ 2,922	\$ 5,451	\$ 14,810	\$ 14,610	\$ (200)
Total capital	\$2,922	\$2,722	(\$200)	\$2,922	\$2,677	(\$245)	\$6,044	\$6,044	\$0	\$2,922	\$5,451	\$14,810	\$16,894	\$2,083
Bond activity:														
Debt service payments	\$ 1,424	\$ 1,424	\$ -	\$ 1,424	\$ 1,424	\$ -	\$ 1,424	\$ 1,424	\$ -	\$ 1,424	\$ 1,424	\$ 5,696	\$ 5,697	\$ -
Total bond activity	\$ 1,424	\$ 1,424	\$ -	\$ 1,424	\$ 1,424	\$ -	\$ 1,424	\$ 1,424	\$ -	\$ 1,424	\$ 1,424	\$ 5,696	\$ 5,697	\$ -
	Budget Estimate 3/31/14	Actual 3/31/14	Variance 3/31/14	Budget Estimate 6/30/14	Actual 6/30/14	Variance 6/30/14	Budget Estimate 9/30/14	Actual 9/30/14	Variance 9/30/13	Budget Estimate 12/31/14	Projection 12/31/14	Total Annual Budget	Total Annual Projection	Total Budget Estimate Variance
Unrestricted cash:														
Cash and cash equivalents	\$ 1,500	\$ 3,259	\$ 1,759	\$ 2,000	\$ 3,610	\$ 1,610	\$ 3,400	\$ 6,805	\$ 3,405	\$ 3,400	\$ 8,564	\$ 3,400	\$ 8,564	\$ 5,164
Capital improvement reserve	3,504	3,682	178	3,500	3,933	433	3,500	3,896	396	3,500	3,938	3,500	3,938	438
Operating and self-insurance funds	280	387	107	1,076	1,195	119	1,076	1,206	130	1,076	1,076	1,076	1,076	-
Pension and medical reserve	-	-	-	-	480	480	-	481	481	-	480	-	480	480
Alternative water source reserve	-	-	-	-	444	444	-	386	386	-	302	-	1,131	1,131
Total unrestricted cash	\$ 5,284	\$ 7,327	\$ 2,044	\$ 6,576	\$ 9,662	\$ 3,086	\$ 7,976	\$ 12,774	\$ 4,798	\$ 7,976	\$ 14,360	\$ 7,976	\$ 15,190	\$ 7,214
Restricted cash:														
Construction funds	\$ -	\$ 7,575	\$ 7,575	\$ -	\$ 5,570	\$ 5,570	\$ -	\$ 3,282	\$ 3,282	\$ -	\$ 4,029	\$ -	\$ 4,029	\$ 4,029
System development charge reserves	-	978	978	-	1,030	1,030	-	465	465	-	553	-	553	553
Investments for debt service	-	3,965	3,965	-	4,949	4,949	-	947	947	-	1,231	-	1,231	1,231
Total restricted cash	\$ -	\$ 12,518	\$ 12,518	\$ -	\$ 11,549	\$ 11,549	\$ -	\$ 4,694	\$ 4,694	\$ -	\$ 5,814	\$ -	\$ 5,814	\$ 5,814

Footnotes:

PLEASE NOTE, due to scale of dollar operations being much smaller than the Electric System, Water utility numbers are presented in thousands

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

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

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