



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Sue Fahey, Finance Manager; Susan Eicher, Accounting and Treasury Supervisor
DATE: October 23, 2015
SUBJECT: Third Quarter 2015 Financial Reports
OBJECTIVE: Information Only

Issue

This memo provides a summary of operating results for the third quarter of 2015.

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.

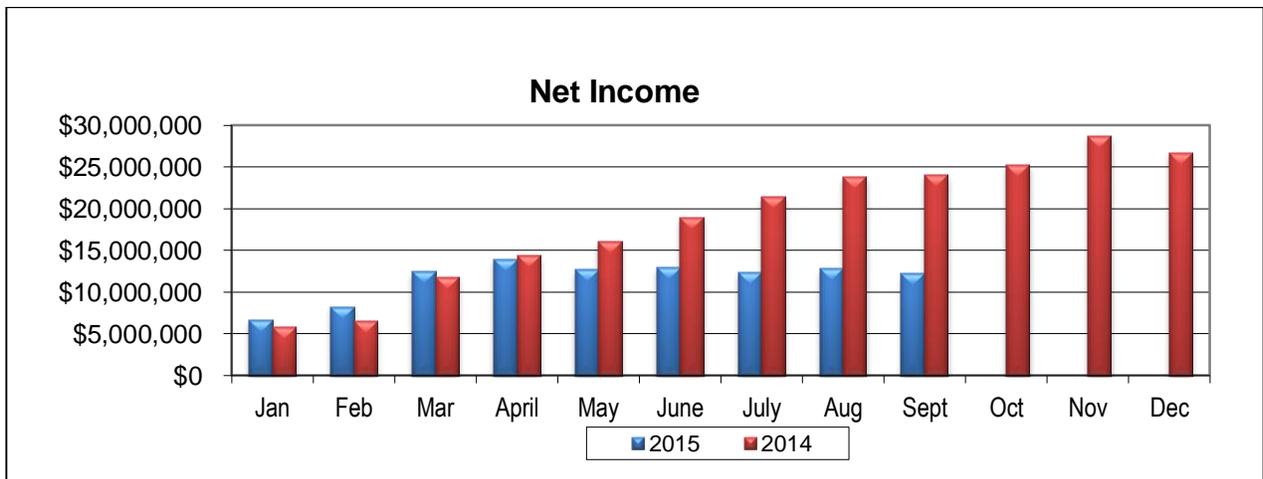
Discussion

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 \$11.9 million lower than in 2014 and 2.4% below seasonal budget. The decrease is due to lower electric consumption and wholesale sales compared to the prior year, as well as a reclassification of LTD EMX project revenue from Other Revenue to Contributions in Aid (CIA), and reallocation of a portion of the CIA to the Water Utility.



Operating Revenues

Retail sales to electric residential customers was \$1.5 million lower than 2014. The 2014 results included the very cold weather experienced in January and February, and the winter of 2015 was unusually mild resulting in lower residential consumption. Compared to the seasonally shaped budget, residential sales were 7%, or \$5.0 million under budget, with January and February making up most of the variance.

Commercial and industrial sales are not as subject to variation due to weather conditions. Sales to Commercial and Industrial customers was \$1.0 million higher than 2014, and were \$1.5 million higher than the seasonally shaped budget. The small and medium commercial classes showed the strongest growth compared to 2014, with increases of \$424 thousand and \$401 thousand, respectively. Sales to industrial customers were higher by \$262 thousand compared to 2014 and are on target to meet the seasonally shaped budget.

Overall, sales for resale were \$13.3 million less than in 2014. The volume sold was 4% less than in 2014. The decrease is due primarily to the lower than normal water year. Additionally, prices have been lower than the prior year. However, sales for resale were \$11.5 million above seasonal budget.

Other operating revenue includes customer account related fees, conservation reimbursements and billable Operations & Maintenance (O&M) work. Other operating revenue increased by \$2.0 million, largely due to the reclassification of billable work from non-operating revenue, and conservation reimbursements.

Operating Expenses

Operating expenses decreased by \$2.3 million, with the biggest decrease being in purchased power. Purchased power includes all purchases from BPA, other contracted resources and market purchases. The decrease in purchased power in 2015 was primarily in the market purchases, where both the volume of purchases and the prices decreased.

Most operating expenses other than purchased power were very close to the prior year amounts with the exception of Depreciation and Transmission and Distribution, which increased by \$3.4 million and \$1.2 million, respectively. The increase in depreciation is due to the nature of the assets added to plant, which were primarily assets that have shorter lives and depreciate more rapidly. The change in Transmission and Distribution is due in large part to a change in the method of allocating certain expenses, like employee benefits. Additionally, some expenses that had previously been reported as System Control expense are now classified as Transmission and Distribution expense. Operating expenses, excluding depreciation and purchased power are 96.49% of the year to date (YTD) seasonally shaped 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 2015 was budgeted to be \$118 million. At this time, the seasonally shaped CM budget is \$6.8 million under budget, and is forecasted to be \$7.6 million under budget at year-end due primarily 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. At this time, other revenues are \$2.9 million under 2014 mostly due to the reclassification of Lane Transit District (LTD) billable work from non-operating revenue to CIA, since the LTD work is capital in nature. Prior to 2015, most O&M billable work was included in non-operating revenue, but the billed expenses were considered operating. Billable work for which there are related operating expenses is now considered other operating income.

Other expenses include non-debt related amortizations, donations, and the costs of environmental remediation at the former coal/gas site as well as on-going work at the riverfront property. Other expenses are \$800 thousand less than in 2014 and are over budget by \$1.6 million to the YTD seasonally shaped budget. A portion of the variance is due to the O&M costs relating to the ongoing riverfront site preparation work.

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

CIA were comparable to 2014, and were \$3.1 million under the YTD seasonally shaped budget. Certain LTD revenues were reclassified to the Water Utility.

The utility also recognized \$150 thousand in assets contributed by developers. Prior to the implementation of a centralized fixed asset system, contributed assets were only recognized at year-end. The new system allows for contributed assets to be recognized in a timelier manner.

Statement of Net Position Analysis

Cash and Reserve Balances

Restricted cash has decreased by \$6.7 million, due to draw down of bond funds restricted for construction of capital assets.

The Harvest Wind \$27 million reserve was depleted with the May payoff of the note payable. Other designated funds reflect the transfers approved at the June Board meeting. Overall, designated cash has decreased by \$1.6 million.

Debt and Financing

Current and non-current long-term debt decreased by \$43 million, of which \$29 million was the Harvest Wind note, and \$14 million was the ongoing payment of principal on long-term debt. There are no plans to obtain any bonded or other debt during the remainder of the year.

Ratio Analysis

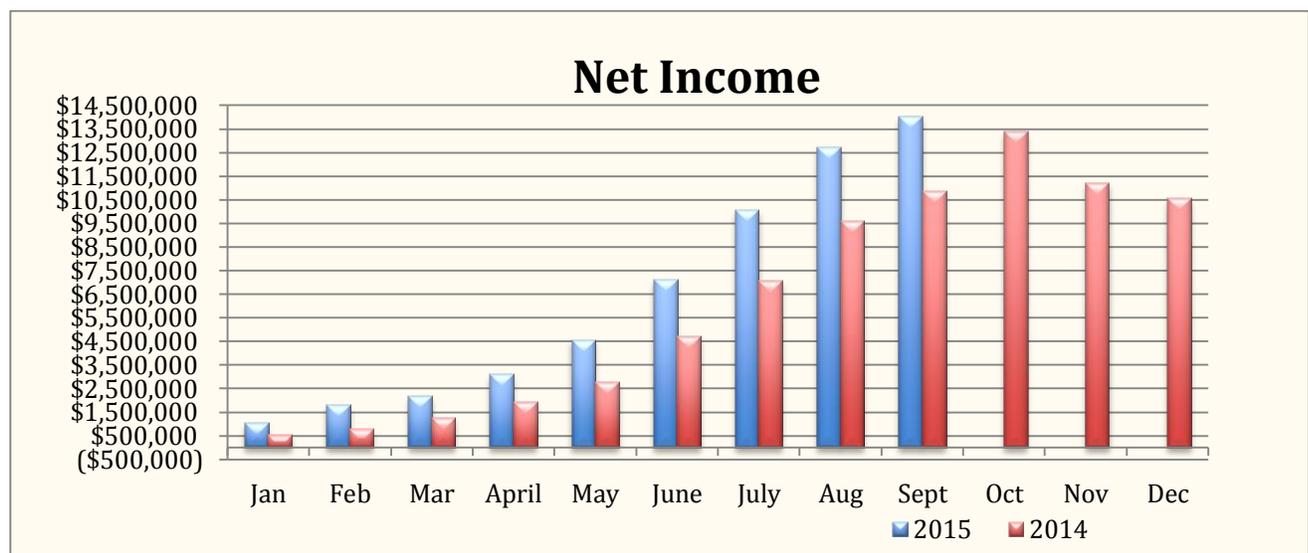
The current ratio, a measure of current assets compared to current liabilities, increased from 3.38 in 2014 to 5.64, primarily due to the May payoff of the Harvest Wind note, and is well above the Board target. The debt service ratio, a measure of our ability to pay debt service with current revenues, is 2.02, and is above the target of 1.75. The debt to assets ratio, a measure of leverage, was 41%, 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 was 57%, 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 increased by \$3.0 million dollars compared to 2014 and \$6.8 million compared to budget, with the increase due to the rate increase effective February 2015 and higher consumption due to warmer than historical weather conditions.



Operating Revenues

Operating revenue increased by \$2.4 million overall, with the largest increase of \$1.6 million being in residential sales, an increase of 10.4% in revenue and 4.3% in consumption. As in electric, residential sales are more reactive to weather conditions than commercial. Compared to the seasonally shaped budget, residential sales are 7.1% or \$1.1 million higher than budget, and 11.0% or 346 thousand kgals higher than budget for consumption.

Commercial and industrial sales decreased by \$866 thousand below 2014. The methodology for shaping the commercial and industrial budget has changed since 2014 and is not comparable between budget years. Compared to the 2015 seasonally shaped budget, commercial and industrial sales are 12.4% or \$1.1 million higher than budget.

Sales for resale and other has been updated to include sales to Water Districts and the Willamette Water Company, as well as sales to Veneta that were previously included in Commercial and industrial sales in the April and May financial statements.

Other operating revenue includes revenues from customer account related fees and reimbursements for billable O&M work. Prior to 2015, most O&M billable work was included in non-operating revenue, but the billed expenses were considered operating. Billable work for which there are related operating expenses is now considered other operating income. The increase in other operating revenue category is primarily due to this reclassification.

Operating Expenses

Operating expenses decreased overall by \$1.1 million from 2014. Much of the overall decrease is due to a change in the treatment of Unfunded Actuarial Liability (UAL). Prior to 2015, the UAL was considered an Administrative & General (A&G) expense. Starting in 2015, the UAL is considered a part of the benefit load and is spread to labor with other benefits wherever labor is incurred. The second factor is the application of administrative overhead to capital and billable work. Water capital work has been heavy this year resulting in more overhead charges to capital which reduces A&G. Expense classifications are not directly comparable between years due to an accounting structure change and a change in methodology for allocating certain expenses. Depreciation is a non-cash transaction that allocates the amounts spent to build or acquire capital assets over the useful lives of those assets.

Operating expenses without Depreciation were at 50.6% of annual budget. In comparison to the seasonally adjusted budget through September, operating expenses without depreciation are at 70.5%.

Contribution Margin

CM is a measure of the amount water sales activity contributes to the fixed costs of the utility. CM is made up of retail, wholesale and other sales, net of the cost of production expenses. The CM revenues and expenses are shaped seasonally based upon forecasts and historical experience. CM for 2015 was budgeted to be \$8.3 million. At this time, compared to the seasonally shaped budget the water utility has realized a \$2.3 million positive variance, with the increase in sales revenue discussed above as the primary driver.

Other Non-operating Revenue and Expenses

Other revenue, consisting of investment earnings and miscellaneous non-operating revenue decreased compared to 2014 by \$511 thousand, and are \$41 thousand over the seasonally adjusted budget. Compared to budget, other revenues are at 76.4%.

Non-operating expenses, primarily interest and amortizations on debt service and other assets, is comparable to 2014, and at 76.5% of budget. In comparison to the seasonally adjusted budget through September, non-operating expenses are above budget by \$397 thousand or 17.3%.

Contributions in Aid of Construction (CIA) and SDCs

CIA were \$2.2 million higher than in 2014. The balance includes the reclassification of LTD EMX project revenue from Non-operating Other revenue to CIA and a reallocation of CIA from the Electric Utility to the Water Utility. LTD EMX work makes up the majority of 2015 CIA. SDC revenue is recognized as projects qualifying for SDCs are completed. At this time, SDC revenue is \$214 thousand less than in 2014, and is 73% of seasonal budget.

Statement of Net Position Analysis

Cash and Reserve Balances

Restricted cash has decreased by \$3.8 million, due to using \$4.9 million in construction funds for capital projects that was partially offset by an increase in the SDC reserve.

Designated cash reflects the transfers approved by the Board at the June meeting.

Debt and Financing

Long-term debt, including bonds and amounts payable to the Electric Utility, decreased by \$1.9 million, due to the ongoing payment of principal on long-term debt. There are no plans to obtain any bonded or other debt during the remainder of the year, but planning has begun for borrowing in 2016.

Ratio Analysis

The current ratio, a measure of current assets compared to current liabilities, as of September is 7.97, more than twice the Board target of 3.25. This ratio includes the effects of increase in prices and consumption 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 4.92, is more than double the target of 2.0. The debt to assets ratio is one measure of leverage and as of September was 34%, 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 September was 48%, well below the target of less than 89%. The measurement of day's available cash is also very strong. All other ratios are performing better than the Board targeted levels.

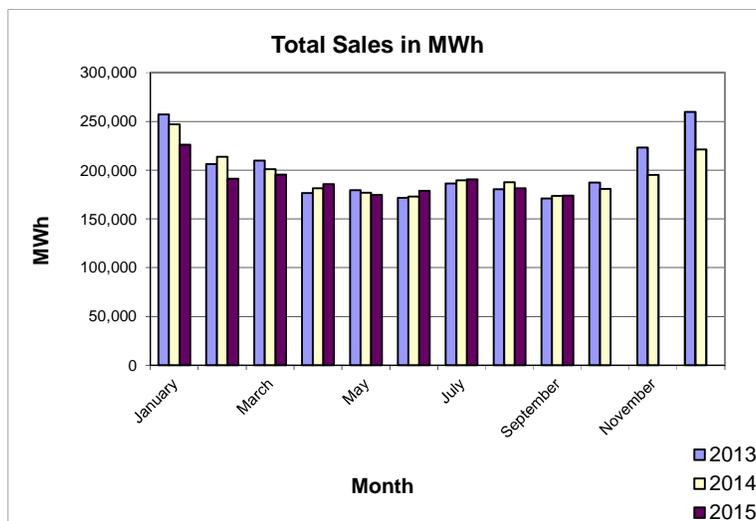
Requested Board Action

Information only. No action requested.

Electric Utility Sales in MWh September 2015

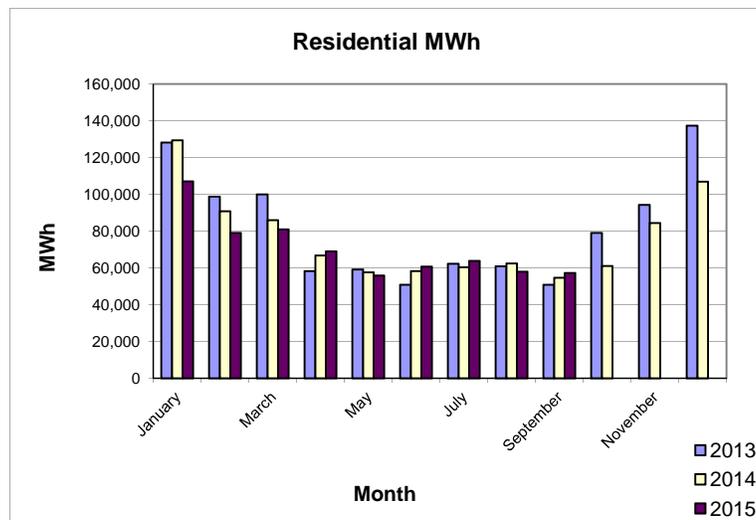
Total Electric Utility Sales in MWh

	2013	2014	2015
January	257,093	246,897	226,208
February	206,073	213,721	191,281
March	209,892	201,085	195,492
Q1 total	673,058	661,703	612,981
April	176,531	181,338	185,698
May	179,544	176,849	174,491
June	171,487	172,861	178,629
Q2 total	527,562	531,048	538,818
July	186,179	189,368	190,535
August	180,320	187,651	181,414
September	170,968	173,396	173,902
Q3 total	537,467	550,415	545,851
October	187,228	180,848	0
November	223,065	194,991	0
December	259,701	221,321	0
Q4 total	669,994	597,160	0
Annual total	<u>2,408,081</u>	<u>2,340,326</u>	<u>1,697,650</u>



Residential Sales in MWh

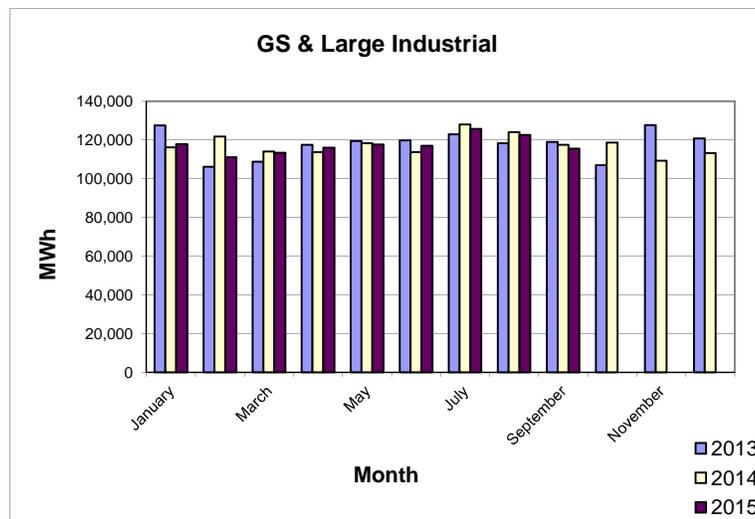
	2013	2014	2015
January	128,308	129,434	107,136
February	98,751	90,865	79,168
March	100,089	86,008	81,006
Q1 total	327,148	306,307	267,310
April	58,331	66,739	69,023
May	59,174	57,652	55,898
June	50,849	58,311	60,721
Q2 total	168,354	182,702	185,642
July	62,311	60,462	63,866
August	60,936	62,552	57,890
September	50,898	54,751	57,313
Q3 total	174,145	177,765	179,069
October	79,087	61,020	0
November	94,314	84,506	0
December	137,467	106,876	0
Q4 total	310,868	252,402	0
Total	<u>980,515</u>	<u>919,176</u>	<u>632,021</u>



Electric Utility Sales in MWh September 2015

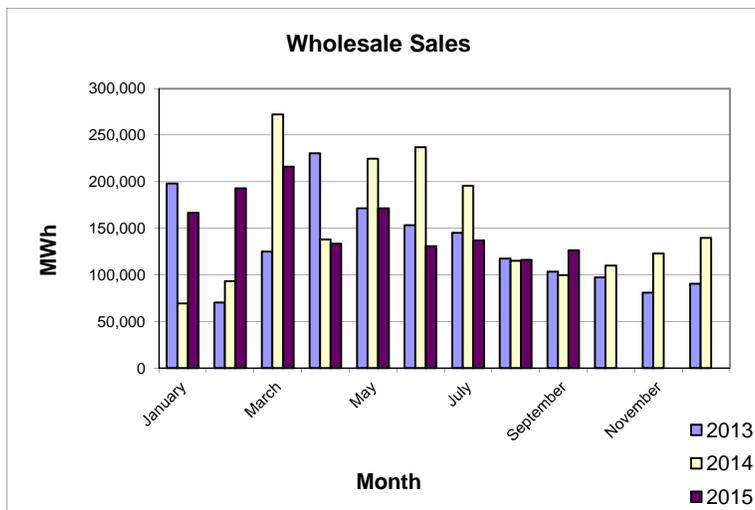
General Service & Large Industrial Sales in MWh

	2013	2014	2015
January	127,580	116,239	117,866
February	106,201	121,842	111,091
March	108,764	114,007	113,463
	<u>342,545</u>	<u>352,088</u>	<u>342,420</u>
April	117,486	113,740	116,038
May	119,518	118,322	117,742
June	119,787	113,703	117,015
	<u>356,791</u>	<u>345,765</u>	<u>350,795</u>
July	122,885	127,947	125,672
August	118,305	124,008	122,673
September	118,943	117,531	115,459
	<u>360,133</u>	<u>369,486</u>	<u>363,804</u>
October	106,929	118,635	0
November	127,714	109,278	0
December	120,800	113,195	0
	<u>355,443</u>	<u>341,108</u>	<u>0</u>
Total	<u><u>1,414,912</u></u>	<u><u>1,408,447</u></u>	<u><u>1,057,019</u></u>



Total Wholesale Sales in MWh

	2013	2014	2015
January	198,192	69,372	166,562
February	70,543	93,166	192,878
March	124,994	272,177	216,315
	<u>393,729</u>	<u>434,715</u>	<u>575,755</u>
April	230,512	137,930	133,635
May	171,488	224,853	171,384
June	153,436	237,088	130,835
	<u>555,436</u>	<u>599,871</u>	<u>435,854</u>
July	145,163	195,718	136,993
August	117,527	115,137	116,194
September	103,682	99,891	126,384
	<u>366,372</u>	<u>410,746</u>	<u>379,571</u>
October	97,400	110,036	0
November	81,125	123,128	0
December	90,633	139,559	0
	<u>269,158</u>	<u>372,723</u>	<u>0</u>
Total	<u><u>1,584,695</u></u>	<u><u>1,818,055</u></u>	<u><u>1,391,180</u></u>



Average Price Per MWh	\$ 30.60	\$ 31.75	\$ 23.12
Generation %	97%	97.2%	85.0%

Eugene Water & Electric Board
Electric System
Statement of Revenues, Expenses and and Changes in Net Position
for the nine months ended September 2015 and 2014

	<u>2015</u>	<u>2014</u>
Residential	\$ 66,387,277	\$ 67,922,125
Commercial and industrial	73,647,357	72,689,359
Sale for resale and other	<u>39,142,031</u>	<u>50,445,571</u>
Operating Revenues	<u>179,176,665</u>	<u>191,057,055</u>
Purchased power	81,423,257	88,009,692
System control	4,398,453	4,894,674
Wheeling	9,431,961	9,439,361
Generation	8,755,932	8,845,342
Transmission and distribution	15,435,781	14,233,330
Customer accounting	5,673,822	6,155,877
Conservation expenses	2,570,986	2,146,717
Administrative and general	14,576,562	14,266,363
Depreciation on utility plant	<u>17,604,415</u>	<u>14,196,697</u>
Operating Expenses	<u>159,871,169</u>	<u>162,188,053</u>
Net Operating Income	<u>19,305,496</u>	<u>28,869,002</u>
Investment earnings	651,628	750,003
Interest earnings, Water	841,347	856,615
Other revenue	<u>1,444,780</u>	<u>4,434,206</u>
Non-operating Revenues	<u>2,937,755</u>	<u>6,040,824</u>
Other expenses	1,602,556	1,553,550
Interest expense and related amortization	<u>8,487,405</u>	<u>9,337,186</u>
Other Non-operating Expenses	<u>10,089,961</u>	<u>10,890,736</u>
Income Before Capital Contributions	12,153,290	24,019,090
Contributions in aid of construction	2,738,511	2,639,169
Contributed plant assets	<u>150,000</u>	<u>-</u>
Increase in Net Position	15,041,801	26,658,259
Total net position at beginning of year	<u>396,751,636</u>	<u>367,222,016</u>
Total Net Position at End of the Period	<u>\$ 411,793,437</u>	<u>\$ 393,880,275</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
Statement of Net Position
September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>December 2014</u>
Assets			
<u>Capital assets</u>			
Utility plant in service	\$ 733,959,377	\$ 710,239,978	\$ 728,250,069
Less - Accumulated depreciation	<u>(389,324,353)</u>	<u>(366,687,534)</u>	<u>(371,953,881)</u>
Net utility plant in service	344,635,024	343,552,444	356,296,188
Property held for future use	827,449	3,436,406	827,449
Construction work in progress	18,525,506	23,539,454	10,790,207
Net utility plant	<u>363,987,979</u>	<u>370,528,304</u>	<u>367,913,844</u>
<u>Current assets</u>			
Cash and cash equivalents	8,079,345	6,708,190	1,700,961
Short-term investments	26,502,425	36,712,498	8,152,378
Restricted cash and investments			
Debt service reserve	9,337,020	9,335,549	9,336,247
Customer deposit reserve	2,486,322	2,739,150	2,314,877
Harvest Wind escrow accounts	2,111,954	2,109,075	2,105,446
Construction reserve	19,285,128	25,763,024	23,760,249
Investments for debt service	4,100,766	4,047,135	10,122,606
Designated cash and investments			
Power reserve	27,245,436	23,310,780	14,271,470
Rate stabilization	12,392,112	147,295	147,488
Capital improvement reserve	23,896,462	17,535,675	10,271,710
Carmen-Smith fund	15,733,905	15,687,691	8,424,738
Harvest Wind reserve	-	26,942,578	26,941,010
Operating reserve	5,833,687	5,413,989	12,123,383
Pension and medical fund	8,274,495	5,963,255	5,097,591
Receivables, less allowances	28,722,770	26,869,576	32,838,274
Due from Water System	788,488	769,074	867,503
Materials and supplies, at average cost	4,908,830	4,793,839	4,547,729
Prepays	8,102,810	8,889,688	8,969,275
Total current assets	<u>207,801,955</u>	<u>223,738,061</u>	<u>181,992,935</u>
<u>Non-current assets</u>			
Prepaid retirement obligation	10,308,184	11,252,445	11,016,380
Long-term receivable, conservation and other	4,895,382	4,779,997	4,857,478
Due from Water System	17,436,013	18,100,379	17,936,309
Long-term investments	-	-	52,449,749
Investment in WGA	1,368,010	(837,744)	432,010
Investment in Harvest Wind	25,314,834	26,296,569	26,278,520
Nonutility Property	7,939,893	10,411,792	10,439,457
Other assets	57,724,277	55,351,030	57,895,225
Total non-current assets	<u>124,986,593</u>	<u>125,354,468</u>	<u>181,305,127</u>

Eugene Water and Electric Board
Electric System
Statement of Net Position
September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>December 2014</u>
Deferred Outflows			
Deferred outflows of resources	1,593,400	2,171,614	1,731,136
 Total Assets and Deferred Outflows	 \$ <u>698,369,927</u>	 \$ <u>721,792,447</u>	 \$ <u>732,943,042</u>
 Liabilities			
<u>Current liabilities</u>			
Payables	\$ 16,564,843	\$ 17,085,968	\$ 20,965,415
Accrued payroll and benefits	4,927,853	4,534,153	4,535,917
Accrued interest on long-term debt	1,846,634	2,472,336	5,055,897
Long-term debt due within one year	13,510,000	42,081,349	41,452,398
Total current liabilities	<u>36,849,330</u>	<u>66,173,806</u>	<u>72,009,627</u>
<u>Non-current liabilities</u>			
Long-term debt	233,197,855	248,047,839	247,703,815
Other liabilities	10,301,562	8,561,901	9,874,664
Total liabilities	<u>280,348,746</u>	<u>322,783,546</u>	<u>329,588,105</u>
 Deferred Inflows			
Deferred Inflows of resources	6,227,743	5,128,626	6,603,300
 Net Position			
Net investment in capital assets	169,006,798	168,451,131	164,313,120
Restricted	15,030,194	14,593,094	17,843,802
Unrestricted	227,756,445	210,836,050	214,594,714
Total net position	<u>411,793,437</u>	<u>393,880,275</u>	<u>396,751,636</u>
 Total Liabilities, Deferred Inflows, and Net Position	 \$ <u>698,369,927</u>	 \$ <u>721,792,447</u>	 \$ <u>732,943,042</u>

**Eugene Water and Electric Board
Electric System
Financial Ratios
September 30, 2015**

	YEAR-TO-DATE			Performance Standard
	2015	Status	2014	
Current Ratio	5.639		3.381	≥ 3.250
Debt to Total Assets	0.410		0.454	≤ 0.600
Debt Service Coverage	2.025		2.623	≥ 1.750
Operating Ratio	0.794		0.637	
Days Unrestricted Cash	247		263	
Days Available Cash	153		136	≥ 90
Debt to Equity	57%		64%	≤ 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 and Electric Board
Electric System
Financial Ratios
September 30, 2015**

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).

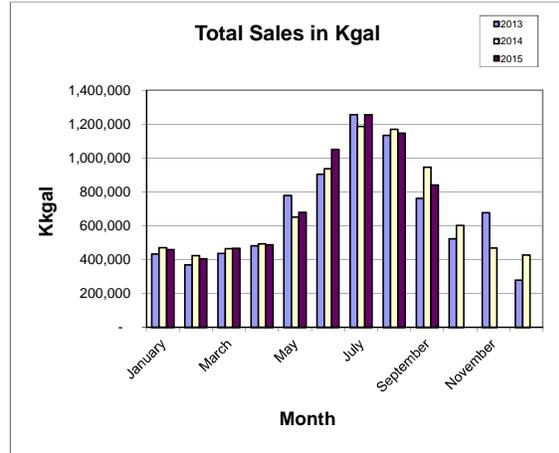
Debt to Equity

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).

Water Utility Sales in Kgal 2015

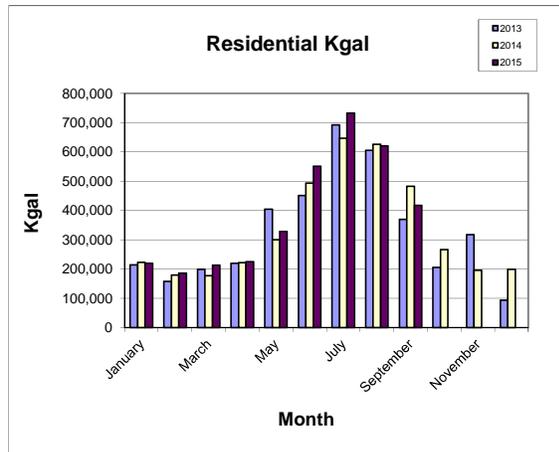
Total Water Sales in Kgal

	2013	2014	2015
January	432,590	469,967	459,108
February	368,791	424,408	404,303
March	436,077	463,973	467,462
Q1 total	1,237,458	1,358,348	1,330,873
April	482,298	493,852	487,636
May	777,945	650,078	679,838
June	903,495	935,507	1,051,349
Q2 total	2,163,738	2,079,437	2,218,823
July	1,255,686	1,185,522	1,255,528
August	1,132,833	1,168,830	1,145,986
September	762,099	946,113	840,585
Q3 total	3,150,618	3,300,465	3,242,099
October	523,088	601,568	0
November	676,720	468,583	0
December	278,689	427,484	0
Q4 total	1,478,497	1,497,635	0
Annual total	8,030,311	8,235,885	6,791,795



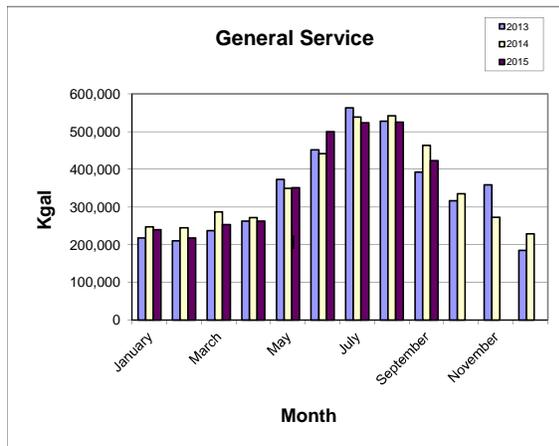
Residential Sales in Kgal

	2013	2014	2015
January	214,316	222,490	219,363
February	157,996	179,454	186,053
March	199,000	176,867	213,577
Q1 total	571,312	578,811	618,993
April	219,449	221,689	225,226
May	404,918	300,111	328,179
June	451,444	493,850	551,652
Q2 total	1,075,811	1,015,650	1,105,057
July	692,568	647,084	732,314
August	605,424	626,527	620,535
September	369,368	482,893	417,603
Q3 total	1,667,360	1,756,504	1,770,452
October	206,009	266,075	0
November	317,555	195,852	0
December	93,757	198,845	0
Q4 total	617,321	660,772	0
Total	3,931,804	4,011,737	3,494,502



General Service in Kgal

	2013	2014	2015
January	218,274	247,477	239,745
February	210,795	244,954	218,250
March	237,077	287,106	253,885
Q1 total	666,146	779,537	711,880
April	262,849	272,163	262,410
May	373,027	349,967	351,659
June	452,051	441,657	499,697
Q2 total	1,087,927	1,063,787	1,113,766
July	563,118	538,438	523,214
August	527,409	542,303	525,451
September	392,731	463,220	422,982
Q3 total	1,483,258	1,543,961	1,471,647
October	317,079	335,493	0
November	359,165	272,731	0
December	184,932	228,639	0
Q4 total	861,176	836,863	0
Total	4,098,507	4,224,148	3,297,293



Eugene Water & Electric Board
Water System
Statement of Revenues, Expenses and Changes in Net Position
for the nine months ended September 30, 2015 and 2014

	<u><u>2015</u></u>	<u><u>2014</u></u>
Residential	\$ 17,016,409	\$ 15,415,201
Commercial and industrial	11,223,592	12,089,440
Sale for resale and other	2,496,287	737,705
Operating Revenues	<u>30,736,288</u>	<u>28,242,346</u>
Source of supply, pumping and purification	4,613,161	2,208,121
Transmission and distribution	2,535,283	5,129,511
Customer accounting	658,728	1,017,571
Conservation expenses	110,021	122,586
Administrative and general	1,980,302	2,519,724
Depreciation on utility plant	4,267,618	4,263,956
Operating Expenses	<u>14,165,113</u>	<u>15,261,469</u>
Net Operating Income	<u>16,571,175</u>	<u>12,980,877</u>
Investment earnings	79,496	63,710
Other revenue	82,878	610,092
Non-operating Revenues	<u>162,374</u>	<u>673,802</u>
Other revenue deductions	205,104	224,005
Interest expense and related amortization	1,643,103	1,684,930
Interest expense, Electric	846,447	867,993
Non-operating Expenses	<u>2,694,654</u>	<u>2,776,928</u>
Income before capital contributions	<u>14,038,895</u>	<u>10,877,751</u>
Contribution in aid of construction	3,118,352	919,258
Contributed plant assets	993,478	-
System development charges	1,149,686	1,364,148
Capital Contributions	<u>5,261,516</u>	<u>2,283,406</u>
Increase in net position	19,300,411	13,161,157
Total net position at beginning of year	<u>108,281,417</u>	<u>94,762,701</u>
Total Net Position at End of Year	<u>\$ 127,581,828</u>	<u>\$ 107,923,858</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 System
Statement of Net Position
September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>December 2014</u>
Assets			
<u>Capital assets</u>			
Utility plant in service	\$ 238,874,444	\$ 227,192,878	\$ 237,294,361
Less - Accumulated depreciation	(104,875,679)	(98,714,090)	(100,581,170)
Net utility plant in service	<u>133,998,765</u>	<u>128,478,788</u>	<u>136,713,191</u>
Property held for future use	968,578	968,578	968,578
Construction work in progress	<u>17,580,890</u>	<u>11,919,644</u>	<u>7,015,689</u>
Net Utility Plant	<u>152,548,233</u>	<u>141,367,009</u>	<u>144,697,458</u>
<u>Current assets</u>			
Cash and cash equivalents	8,639,218	6,858,088	8,750,418
Restricted cash and investments			
Debt service reserve	2,368,223	2,367,850	2,368,027
Construction fund	519,979	5,455,121	2,460,567
System development charge reserves	2,472,565	1,347,141	1,726,809
Investments for debt service	656,498	654,331	1,637,027
Designated cash and investments			
Rate Stabilization Fund	3,612,040	-	-
Capital improvement reserve	5,434,492	3,895,873	3,322,466
Alternative Water Supply	2,646,694	509,469	890,369
Operating reserve	1,455,233	1,206,206	1,212,491
Pension and medical reserve	964,312	481,049	481,682
Receivables, less allowances	6,531,297	6,154,657	3,254,441
Material and supplies, at average cost	858,080	1,083,670	918,358
Prepayments and special deposits	<u>1,661,972</u>	<u>1,650,476</u>	<u>1,633,138</u>
Total current assets	<u>37,820,603</u>	<u>31,663,931</u>	<u>28,655,794</u>
<u>Non-current assets</u>			
Prepaid retirement obligation	2,262,781	2,470,058	2,418,238
Other assets	<u>1,122,596</u>	<u>1,473,253</u>	<u>979,593</u>
Total non-current assets	<u>3,385,377</u>	<u>3,943,311</u>	<u>5,218,119</u>
Deferred Outflows of Resources			
Deferred Outflows of Resources	<u>707,898</u>	<u>784,246</u>	<u>764,555</u>
Total Assets & Deferred Outflows	<u>\$ 194,462,111</u>	<u>\$ 177,758,497</u>	<u>\$ 179,335,925</u>

**Eugene Water and Electric Board
Water System
Statement of Net Position
September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>December 2014</u>
Liabilities			
<u>Current liabilities</u>			
Payables	\$ 526,969	\$ 1,091,168	\$ 1,829,473
Accrued payroll and benefits	1,172,556	1,140,271	1,095,928
Accrued interest on long-term debt	336,097	342,732	870,069
Long-term debt due within one year	1,920,000	1,840,000	1,840,000
Due to Electric System	788,488	769,075	867,504
Total current liabilities	<u>4,744,110</u>	<u>5,183,246</u>	<u>6,502,974</u>
<u>Non-current liabilities</u>			
Long term debt			
-note and bonds payable	43,930,716	45,869,785	45,864,998
Due to Electric System	17,436,013	18,100,379	17,936,308
Other liabilities	441,464	353,249	422,248
Total liabilities	<u>66,552,303</u>	<u>69,506,659</u>	<u>70,726,528</u>
Deferred Inflows of Resources			
Deferred inflows of resources	327,980	327,980	327,980
Net Position			
Net invested in capital assets	89,733,357	83,150,139	83,589,681
Restricted	5,123,802	4,033,255	4,850,766
Unrestricted	32,724,669	20,740,464	19,840,970
Total net position	<u>127,581,828</u>	<u>107,923,858</u>	<u>108,281,417</u>
Total Liabilities, Deferred Inflows & Net Position	<u>\$ 194,462,111</u>	<u>\$ 177,758,497</u>	<u>\$ 179,335,925</u>

**Eugene Water and Electric Board
Water Utility
Financial Ratios
September 30, 2015**

	YEAR-TO-DATE			PERFORMANCE STANDARD
	2015	Status	07/31/2014	
Current Ratio	7.972		6.109	≥ 3.250
Debt to Total Assets	0.344		0.393	≤ 0.600
Debt Service Coverage - Annualized	4.929		4.678	≥ 2.000
Operating Ratio	0.322		0.389	≤ 0.570
Days Unrestricted Cash	425		255	
Days Available Cash	256		159	≥ 90
Debt to Equity	48%		59%	≤ 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 (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, 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)