



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

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.

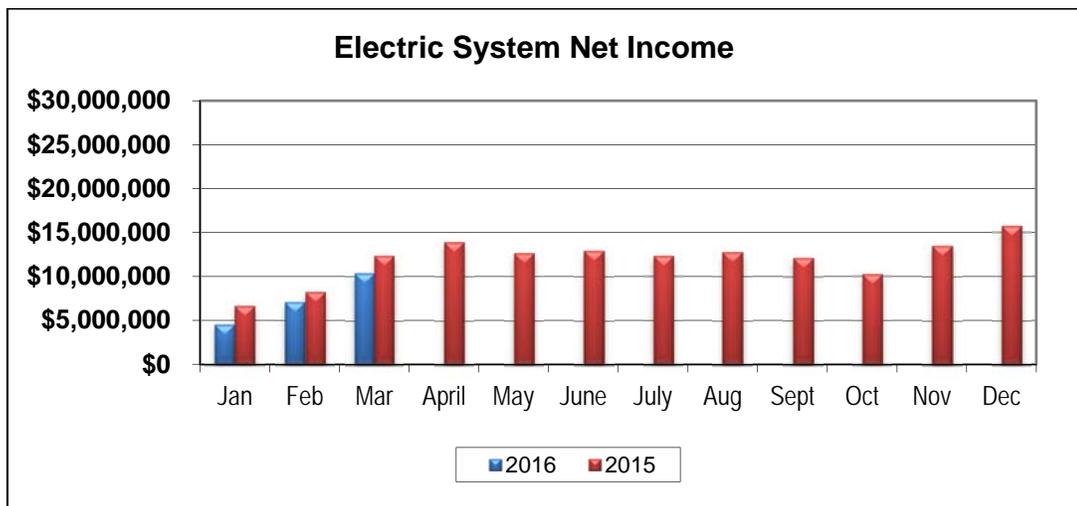
Discussion

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 19th 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 5th 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

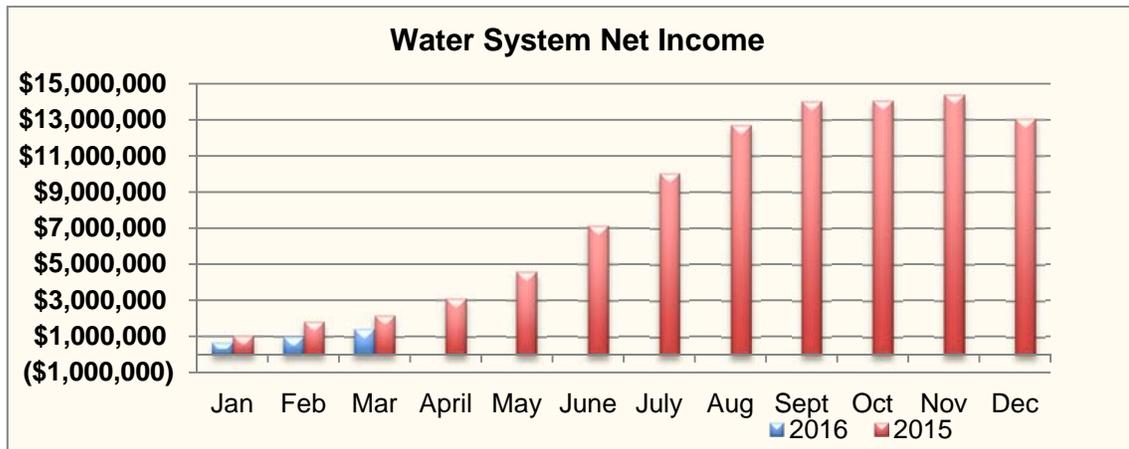
The current ratio of 3.76, a measure of current assets compared to current liabilities, is above the Board target. The debt service ratio, a measure of our ability to pay debt service with current revenues, is 1.99, and is above the target of 1.75. The debt service ratio is expected to improve with the 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 19th 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

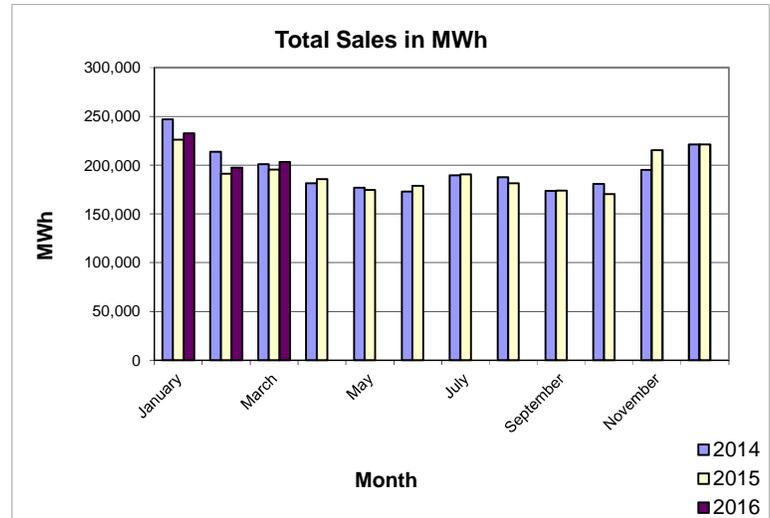
Information only. No action requested.

**Electric Utility Sales in MWh
March 2016**

ATTACHMENT 1

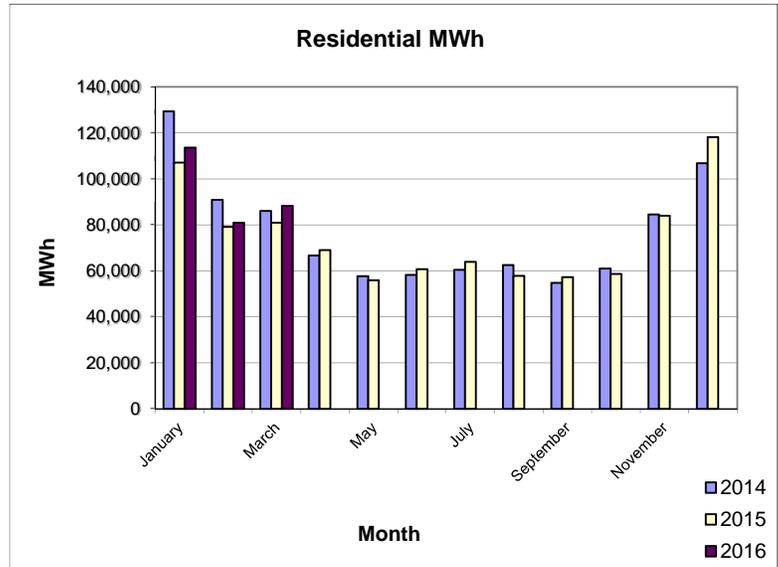
Total Electric Utility Sales in MWh

	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>

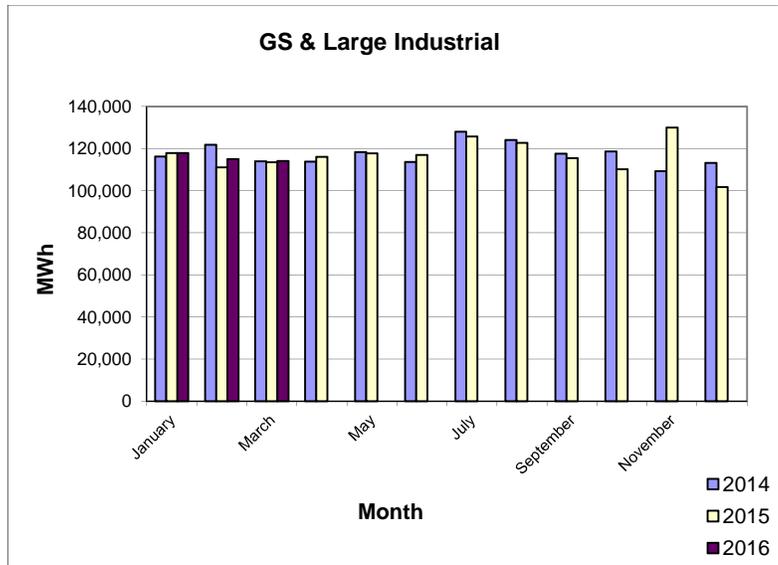


**Electric Utility Sales in MWh
March 2016**

ATTACHMENT 1

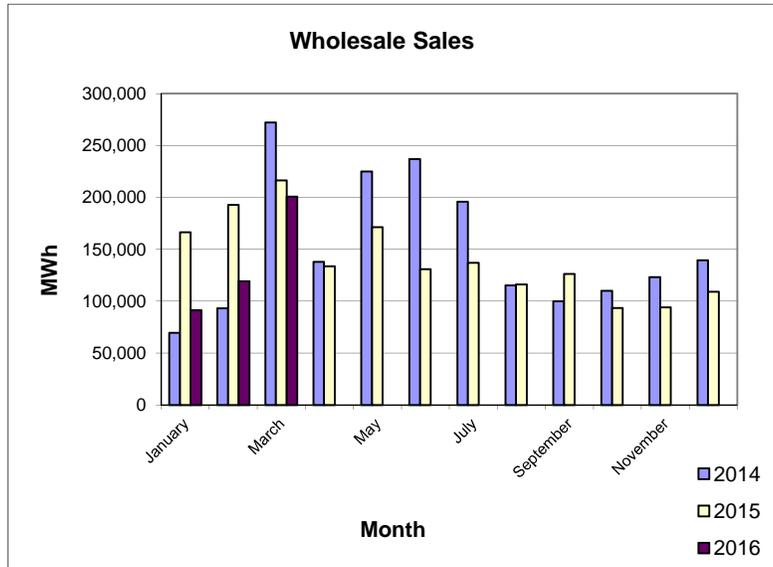
General Service & Large Industrial Sales in MWh

	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>
Total	<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>
Total	<u><u>1,818,055</u></u>	<u><u>1,687,954</u></u>	<u><u>411,438</u></u>



Average Price Per MWh	\$ 31.75	\$ 22.96	\$ 21.45
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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>
Operating Revenues	<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>
Operating Expenses	<u>54,052,357</u>	<u>50,582,698</u>
Net Operating Income	<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>
Non-operating Revenues	<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>
Other Non-operating Expenses	<u>2,728,294</u>	<u>3,430,702</u>
Income Before Capital Contributions	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>
Total Net Position at End of the Period	<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

	2016	2015	December 2015
Assets			
<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
Deferred Outflows			
Deferred outflows of resources	8,800,890	7,075,710	8,936,627
 Total Assets and Deferred Outflows	 \$ 713,321,635	 \$ 746,511,474	 \$ 708,575,343
Liabilities			
<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
Deferred Inflows			
Deferred Inflows of resources	11,792,631	59,595,158	13,732,200
Net Position			
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
 Total Liabilities, Deferred Inflows, and Net Position	 \$ 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>	
Current Ratio	6.029		3.716	≥ 3.250
Debt to Total Assets	0.460		0.489	≤ 0.600
Debt Service Coverage	1.985		2.048	≥ 1.750
Operating Ratio	0.745		0.687	
Days Unrestricted Cash	253		289	
Days Available Cash	161		210	≥ 90
Debt to Equity	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)

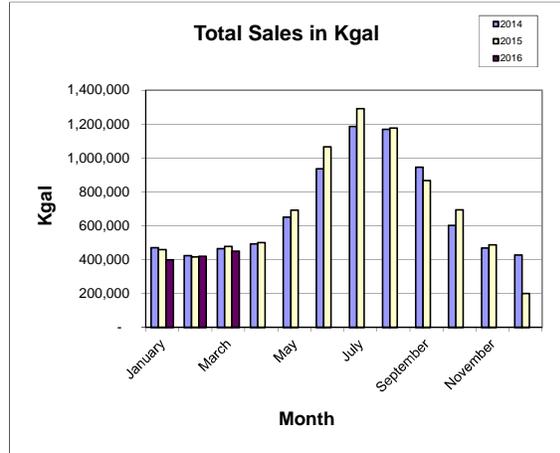
Days Available Cash

Set by management as minimum desirable level of available cash reserves

Water Utility Sales in Kgal 2016

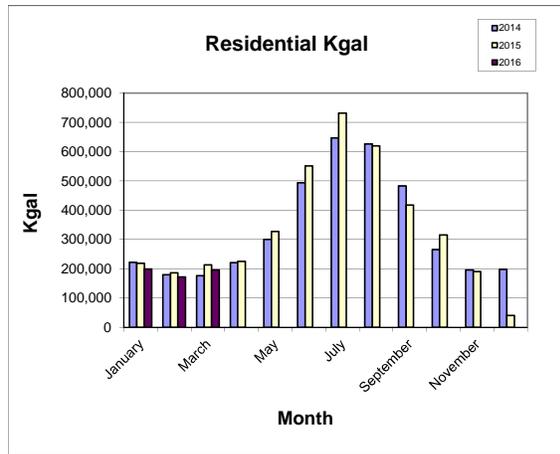
Total Water Sales in Kgal

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



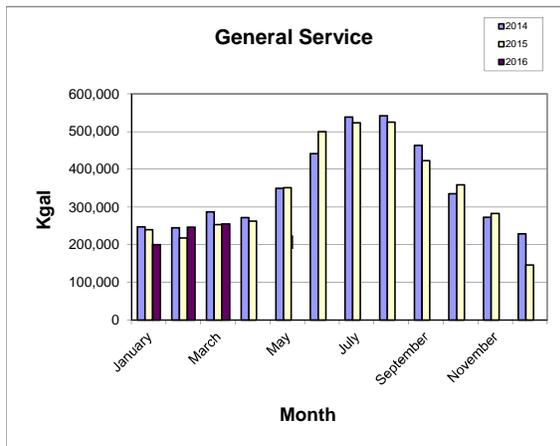
Residential Sales in Kgal

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



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
Q1 total	779,537	711,880	701,775
April	272,163	262,410	0
May	349,967	351,659	0
June	441,657	499,697	0
Q2 total	1,063,787	1,113,766	0
July	538,438	523,214	0
August	542,303	525,451	0
September	463,220	422,982	0
Q3 total	1,543,961	1,471,647	0
October	335,493	358,729	0
November	272,731	282,721	0
December	228,639	146,615	0
Q4 total	836,863	788,065	0
Total	4,224,148	4,085,358	701,775



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
Operating Revenues	<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
Operating Expenses	<u>5,244,648</u>	<u>4,240,611</u>
Net Operating Income	<u>2,165,136</u>	<u>3,083,662</u>
Investment earnings	100,084	28,551
Other revenue	36,868	25,071
Non-operating Revenues	<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
Non-operating Expenses	<u>860,171</u>	<u>961,326</u>
Income before capital contributions	<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
Capital Contributions	<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>
Total Net Position at End of Year	<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>
Assets			
<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>
Deferred Outflows of Resources			
Deferred Outflows of Resources	<u>2,219,259</u>	<u>1,891,515</u>	<u>2,237,313</u>
Total Assets & Deferred Outflows	<u>\$ 196,561,376</u>	<u>\$ 182,047,802</u>	<u>\$ 196,289,561</u>
Liabilities			
<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>
Deferred Inflows of Resources			
Deferred inflows of resources	1,947,248	12,041,796	1,947,248
Net Position			
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>
Total Liabilities, Deferred Inflows & Net Position	<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)