



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Helgeson, Brown, Mital, Simpson and Carlson
FROM: Sue Fahey, Chief Financial Officer; Aaron Balmer, Interim General Accounting
Supervisor
DATE: April 21, 2017
SUBJECT: First Quarter 2017 Financial Report
OBJECTIVE: Information Only

Issue

This memo provides a summary of operating results for the first quarter of 2017.

Background

This information is provided to the Board on a quarterly basis to report the ongoing financial performance of both utilities.

Recommendation / Requested Board Action

None at this time. Information only.

Attachment 1: Electric Utility Financial Report

Attachment 2: Water Utility Financial Report



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Helgeson, Brown, Mital, Simpson and Carlson

FROM: Sue Fahey, Chief Financial Officer; Aaron Balmer, Interim General Accounting Supervisor

DATE: April 21, 2017

SUBJECT: Electric Utility First Quarter 2017 Financial Report

OBJECTIVE: Information Only

Schedule of Revenues, Expenses, and Changes in Net Position (Income Statement)-Page 3

Income before capital contributions (Net Income)

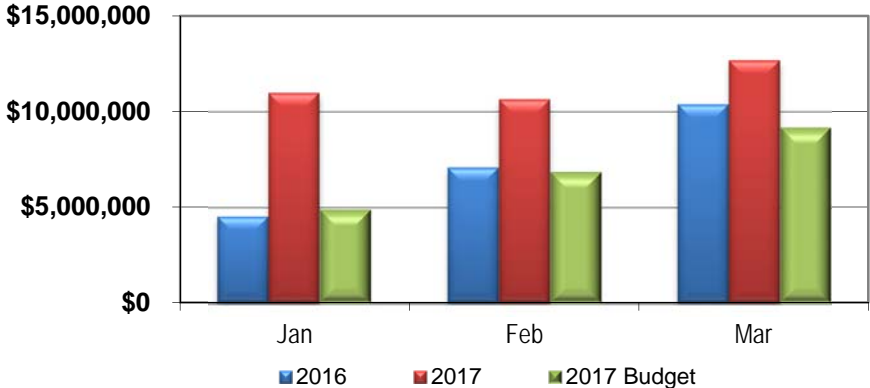
Net income for the Electric Utility is \$12.7 million. The variance of Net Income to the Year-to-Date (YTD) seasonally shaped budget is a favorable \$3.5 million.

The variance breakdown compared to budget is as follows (unfavorable)/favorable:

	Millions
• Retail Revenue	\$ 2.0
• Wholesale and Other revenue	3.5
• Purchased Power	(2.0)
• Non-power Operating Expenses	(0.3)
• Other Non-operating revenues	0.1
• Other Non-operating expenses	0.2
	\$ 3.5

For comparability purposes, the budget has been modified to reflect seasonal fluctuations in revenue and purchased power. The favorable net income variance to budget is primarily driven by colder than anticipated weather in the first quarter leading to favorable revenue. Further, wholesale sales net of purchased power costs are \$1.5 million favorable due to higher than budgeted streamflow and hydroelectric generation.

Electric System Net Income
(Year-to-date)



Operating Expenses

Wheeling has an unfavorable variance due to higher than budgeted hydroelectric generation. Customer accounting and administrative and general expenses are unfavorable compared to the budget due to lower capital spending in the first quarter and lower overhead credit transfers from O&M to capital. This should correct over time as actual capital spending increases in the summer months. Conservation expenses are favorable due to low seasonal spending for energy management services. At this time, actual spending is anticipated to equal budget by year end.

Non-operating Revenues

Investment earnings has a favorable variance due to a \$519,000 non-cash gain marking financial investments (derivatives) to market each quarter as required by generally accepted accounting principles (GAAP) . There is no budget for the change in the market value for these investments.

Eugene Water & Electric Board
Electric Utility
Schedule of Revenues, Expenses, and Changes in Net Position
for the three months ended March 31, 2017

	<u>Prior Year Comparison</u>		<u>YTD Budget Comparison</u>			
	<u>2017</u>	<u>2016</u>	<u>Annual Working Budget</u>	<u>Budget \$</u>	<u>Budget %</u>	<u>Budget Variance</u>
Residential	\$ 33,848,518	\$ 28,711,140	\$ 101,465,141	\$ 31,708,000	107%	\$ 2,141,000
Commercial and industrial	25,390,192	24,803,195	101,684,339	25,472,000	100%	(82,000)
Sale for resale and other	12,241,232	11,014,902	33,670,893	8,725,000	140%	3,516,000
Operating revenues	<u>71,479,942</u>	<u>64,529,237</u>	<u>236,820,373</u>	<u>65,905,000</u>	108%	<u>5,575,000</u>
Purchased power	30,287,327	28,598,486	112,087,636	28,246,000	107%	(2,041,000)
System control	1,314,929	1,436,095	5,613,030	1,403,000	94%	88,000
Wheeling	3,993,492	2,699,462	13,429,919	3,357,000	119%	(636,000)
Generation	2,823,846	2,859,597	12,465,418	3,116,000	91%	292,000
Transmission and distribution	5,147,311	4,977,496	22,185,813	5,546,000	93%	399,000
Customer accounting	2,635,405	1,996,654	7,948,667	1,987,000	133%	(648,000)
Conservation expenses	936,772	767,986	5,068,774	1,267,000	74%	330,000
Administrative and general	5,752,498	4,715,500	22,302,313	5,576,000	103%	(176,000)
Depreciation on utility plant	5,613,778	6,001,081	22,519,481	5,630,000	100%	16,000
Operating expenses	<u>58,505,358</u>	<u>54,052,357</u>	<u>223,621,051</u>	<u>56,128,000</u>	104%	<u>(2,376,000)</u>
Net Operating Income	<u>12,974,584</u>	<u>10,476,880</u>	<u>13,199,322</u>	<u>9,777,000</u>	133%	<u>3,199,000</u>
Investment earnings	1,029,353	1,847,772	2,028,478	507,000	203%	522,000
Interest earnings, Water	185,443	276,476	737,405	184,000	101%	1,000
Other non-operating revenue	425,099	510,656	3,325,150	831,000	51%	(406,000)
Non-operating Revenues	<u>1,639,895</u>	<u>2,634,904</u>	<u>6,091,033</u>	<u>1,522,000</u>	108%	<u>117,000</u>
Other expenses	187,843	168,755	2,025,935	506,000	37%	318,000
Interest expense and related amortization	1,751,292	2,559,539	6,518,767	1,630,000	107%	(121,000)
Other Non-operating Expenses	<u>1,939,135</u>	<u>2,728,294</u>	<u>8,544,702</u>	<u>2,136,000</u>	91%	<u>197,000</u>
Income before capital contributions	<u>12,675,344</u>	<u>10,383,490</u>	<u>10,745,653</u>	<u>9,163,000</u>	138%	<u>3,512,000</u>
Contributions in aid of construction	2,173,065	1,969,713	4,877,000	1,219,000	178%	954,000
Contributed plant assets	846,927	390,476	-	-		847,000
Increase in Net Position	<u>\$ 15,695,336</u>	<u>\$ 12,743,679</u>	<u>\$ 15,622,653</u>	<u>\$ 10,382,000</u>	151%	<u>\$ 5,313,000</u>

Notes to the Financial Statements:

¹ Seasonal budget figure based on PPM forecast used for budgeting.

² Seasonal budget figure based on cyclical account activity averaged from the past four years.

Unmarked seasonal budget figures are not shaped and are allocated using a straight-line method

Budget variance column may not add up due to rounding.

Eugene Water & Electric Board
Electric Utility
Statement of Net Position
March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>December 2016</u>
Assets			
Capital assets			
Utility plant in service	\$ 738,018,957	\$ 747,066,811	\$ 741,377,401
Less - Accumulated depreciation	(407,976,223)	(399,124,447)	(403,327,971)
Net utility plant in service	<u>330,042,734</u>	<u>347,942,364</u>	<u>338,049,430</u>
Property held for future use	827,449	827,449	827,449
Construction work in progress	18,912,567	14,998,860	11,489,223
Net utility plant	<u>349,782,750</u>	<u>363,768,673</u>	<u>350,366,102</u>
Current assets			
Cash and cash equivalents	17,556,941	10,845,400	6,423,227
Short-term investments	23,362,612	31,558,094	19,149,761
Restricted cash and investments	28,593,556	41,883,567	27,424,546
Designated cash and investments	105,463,177	95,087,949	52,930,042
Receivables, less allowances	30,401,138	29,310,411	35,212,662
Due from Water System	779,674	796,702	870,656
Materials and supplies, at average cost	3,848,060	4,163,309	3,675,617
Prepays	6,566,250	6,793,218	7,483,244
Total current assets	<u>216,571,408</u>	<u>220,438,650</u>	<u>153,169,755</u>
Non-current assets			
Long-term receivable, conservation and other	3,590,787	5,167,109	3,453,706
Due from Water System	16,456,494	17,097,428	16,612,001
Long-term investments	-	-	59,198,524
Investment in WGA	3,455,752	2,786,808	3,509,388
Investment in Harvest Wind	23,362,662	24,667,199	23,730,662
Nonutility Property	7,830,500	7,830,481	7,830,500
Other assets	61,897,290	62,764,395	61,900,158
Total non-current assets	<u>116,593,485</u>	<u>120,313,420</u>	<u>176,234,939</u>
Deferred Outflows			
Deferred outflows of resources	<u>57,468,069</u>	<u>8,800,891</u>	<u>57,024,020</u>
Total Assets and Deferred Outflows	\$ <u>740,415,712</u>	\$ <u>713,321,634</u>	\$ <u>736,794,816</u>
Liabilities			
Current liabilities			
Payables	\$ 15,639,721	\$ 16,310,741	\$ 26,292,077
Accrued payroll and benefits	4,821,847	4,897,259	4,754,554
Accrued interest on long-term debt	1,297,526	1,846,634	2,868,599
Long-term debt due within one year	11,165,000	13,510,000	11,165,000
Total current liabilities	<u>32,924,094</u>	<u>36,564,634</u>	<u>45,080,230</u>
Non-current liabilities			
Long-term debt	199,728,734	232,554,363	200,279,317
Net pension liability	86,824,424	37,311,057	86,824,424
Other liabilities	10,742,067	9,957,489	9,996,306
Total liabilities	<u>330,219,319</u>	<u>316,387,543</u>	<u>342,180,277</u>
Deferred Inflows			
Deferred inflows of resources	<u>7,180,440</u>	<u>11,792,631</u>	<u>7,293,921</u>
Net Position			
Net investment in capital assets	177,834,451	167,850,483	178,261,000
Restricted	16,699,690	20,972,253	13,282,845
Unrestricted	208,481,812	196,318,724	195,776,773
Total net position	<u>403,015,953</u>	<u>385,141,460</u>	<u>387,320,618</u>
Total Liabilities, Deferred Inflows, and Net Position	\$ <u>740,415,712</u>	\$ <u>713,321,634</u>	\$ <u>736,794,816</u>

**Eugene Water & Electric Board
Electric Utility
Capital Budget Comparison**
for the three months ended March 31, 2017







	<u>Current Month</u>	<u>Year to Date</u>	<u>Annual Working Budget w/Amendment</u>	<u>% of Budget</u>
Transformers (Pre-capped) ¹	\$ 103,805	\$ 359,771	\$ -	0.0%
Meters (Pre-capped) ¹	10,585	97,289	-	0.0%
Type 1 Capital				
Building & Land	13,155	13,542	1,074,000	1.3%
Distribution	755,984	1,550,388	8,870,000	17.5%
Electric Fleet	45,269	58,181	1,000,000	5.8%
Generation	63,148	112,345	1,196,000	9.4%
Information Technology	322,660	405,702	494,000	82.1%
Substation	127,698	227,867	1,741,000	13.1%
Telecom	2,140	2,140	1,100,000	0.2%
Transmission	4,867	11,330	150,000	7.6%
Total Type 1 Capital	<u>1,334,921</u>	<u>2,381,495</u>	<u>15,625,000</u>	<u>15.2%</u>
Type 2 Capital				
AMI ¹	86,969	(110,787)	982,000	-11.3%
CIS	-	-	4,920,000	0.0%
Downtown Network	13,978	15,086	1,000,000	1.5%
Holden Creek Substation	951,202	967,234	-	0.0%
Leaburg Dam Rollgate #2	4,544	29,221	-	0.0%
LTD West Side EMX	109	(6,007)	-	0.0%
Up River Re-configuration	-	-	250,000	0.0%
Total Type 2 Capital	<u>1,056,802</u>	<u>894,747</u>	<u>7,152,000</u>	<u>12.5%</u>
Type 3 Capital				
Carmen-Smith Relicensing	383,998	753,664	12,960,000	5.8%
Total Type 3 Capital	<u>383,998</u>	<u>753,664</u>	<u>12,960,000</u>	<u>5.8%</u>
Total Capital before CIA	<u>2,890,111</u>	<u>4,486,966</u>	<u>35,737,000</u>	<u>12.6%</u>
Contributions in aid	<u>(115,427)</u>	<u>(2,173,065)</u>	<u>(4,877,000)</u>	<u>44.6%</u>
Grand Total	<u>\$ 2,774,684</u>	<u>2,313,901</u>	<u>\$ 30,860,000</u>	<u>7.5%</u>

¹ Meters and transformers are capitalized at the time of purchase. The budget for meters is included within the Distribution project and the AMI project. However, the actual costs are not included in project reporting in WAM and are included as their own line item.

Capital

The capital budget is approved by the Board as the maximum amount allowed for all capital work. Annual budgets by type and by individual projects are prepared for planning and reporting purposes, but overall budget accountability to the Board remains at the total capital level. The Electric Utility has spent \$4.5 million or 12.6% of the capital budget, compared to \$4 million or 9.8% in year to date 2016.

**Electric Utility
Financial Ratios
March 31, 2017**

	<u>YTD</u> <u>2017</u>	<u>Status</u>	<u>December</u> <u>2016</u>	<u>Performance</u> <u>Standard</u>
Current Ratio	6.58		3.40	≥ 3.25
Debt as % of Net Book Value	64%		63%	≤ 60%
Debt Service Coverage - Annualized	2.35		1.65	≥ 1.75
Age of System - Overall	55%		54%	≤ 60%
Distribution Plant			62%	
Electric Generating Plant			55%	
Days Unrestricted Cash	262		136	90 to 149 days
Rate of Return - Annualized	5%		5%	Range 5-7%

Ratios

The current ratio, a measure of current assets compared to current liabilities, remains well above Board targets due to balances in restricted and designated cash remaining classified as short term. A portion of these balances is reclassified annually in December to long term investments for external reporting. Securities held by the Board are highly marketable and could be liquidated if a need arose. Debt as a % of Net Book Value measures the overall leverage of system assets. Debt levels of the Electric Utility continue to be monitored and management will be recommending additional restructuring in 2017. The annualized debt service coverage ratio is above performance standards at 2.35. The debt service coverage ratio as of December 2016 was below the performance standard due largely to December storm costs and the Carmen-Smith write-off. At the end of March, all other ratios are performing in line or better than the performance standards.

See next page for Ratio definitions and benchmark sources

Current Ratio

Total current assets to total current liabilities. This ratio measures the utility's short-term liquidity (ability to pay bills). The standard is set by EWEB financial policies and is meant to support a higher than average credit rating.

Debt as % of Net Book Value (NBV)

Ratio of the amount of debt outstanding against the remaining Net Book Value of assets. This metric measures overall leverage of the system in an effort to align debt service payments with the useful lives of assets. The performance standard of 60% is derived from APPA publications and is typical of electric utilities involved in both generation and distribution.

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. The standard is meant to support a single A credit rating.

Age of System

Ratio of accumulated depreciation against the historical value of assets. This ratio measures how old the system is as compared to how much has been depreciated. Infrastructure over 65% depreciated should be watched for aging, while infrastructure less than 50% depreciated is representative of newer systems.

Days Unrestricted Cash

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. Standard and Poor's Industry Standards for Investment Grade ratings are typically 60 to 90 days, however the APPA has indicated 150-200 days unrestricted cash is desired for high bond ratings.

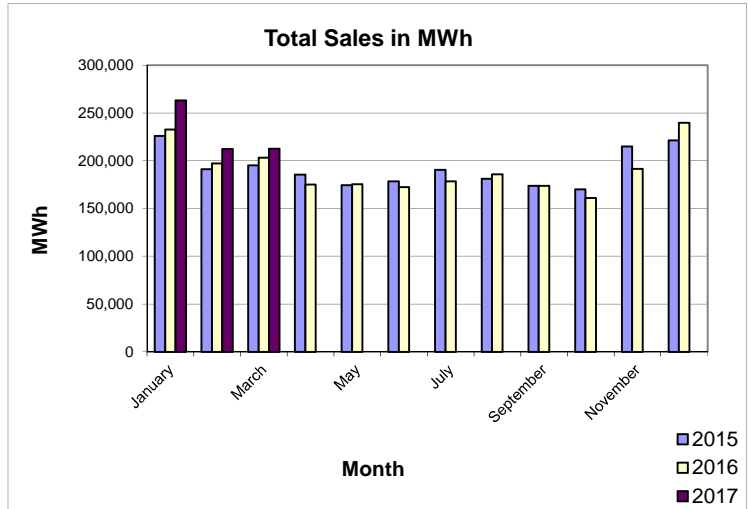
Rate of Return

Rate of return on investment, expressed as a percentage of the total amount invested in infrastructure. For mid-year calculations, year-to-date net operating income is annualized. This ratio measures the utility's ability to pay current infrastructure costs and future replacement costs. Per the APPA, a rate of return between 5-7% is an acceptable range.

**Electric Utility Sales in MWh
March 2017**

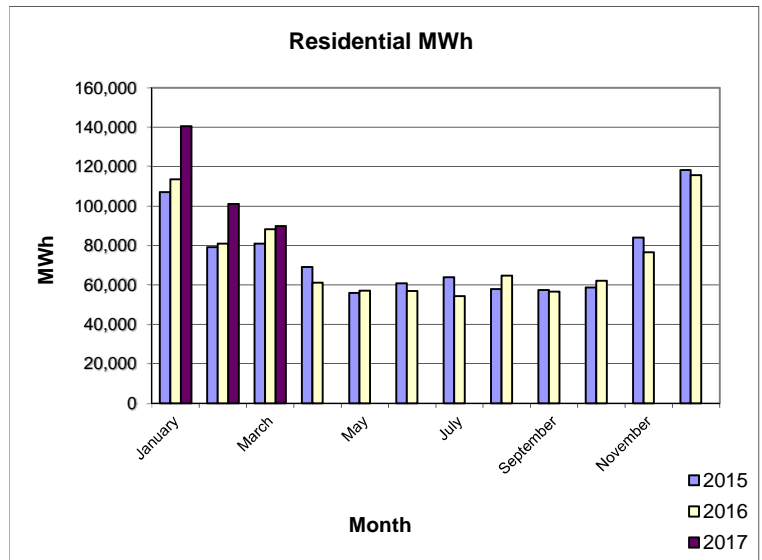
Total Electric Utility Sales in MWh

	2015	2016	2017
January	226,208	232,720	263,514
February	191,281	197,213	212,299
March	195,492	203,425	212,765
Q1 total	612,981	633,357	688,578
April	185,698	175,157	0
May	174,491	175,703	0
June	178,629	172,650	0
Q2 total	538,818	523,510	0
July	190,535	178,658	0
August	181,414	186,064	0
September	173,902	173,917	0
Q3 total	545,851	538,639	0
October	170,136	161,121	0
November	215,218	191,617	0
December	221,322	239,812	0
Q4 total	606,676	592,550	0
Annual total	<u>2,304,326</u>	<u>2,288,057</u>	<u>688,578</u>



Residential Sales in MWh

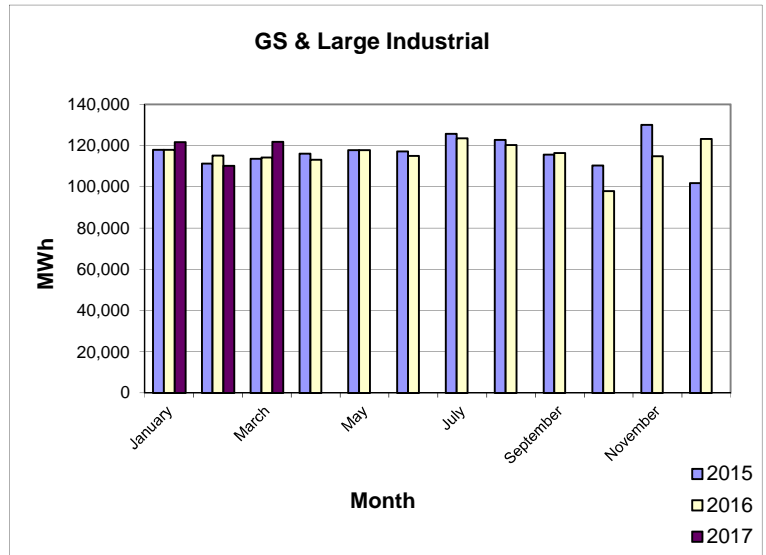
	2015	2016	2017
January	107,136	113,589	140,471
February	79,168	80,958	101,102
March	81,006	88,256	89,865
Q1 total	267,310	282,803	331,439
April	69,023	61,190	0
May	55,898	57,055	0
June	60,721	56,918	0
Q2 total	185,642	175,163	0
July	63,866	54,329	0
August	57,890	64,718	0
September	57,313	56,523	0
Q3 total	179,069	175,570	0
October	58,717	62,095	0
November	84,028	76,508	0
December	118,236	115,600	0
Q4 total	260,981	254,203	0
Total	<u>893,002</u>	<u>887,738</u>	<u>331,439</u>



**Electric Utility Sales in MWh
March 2017**

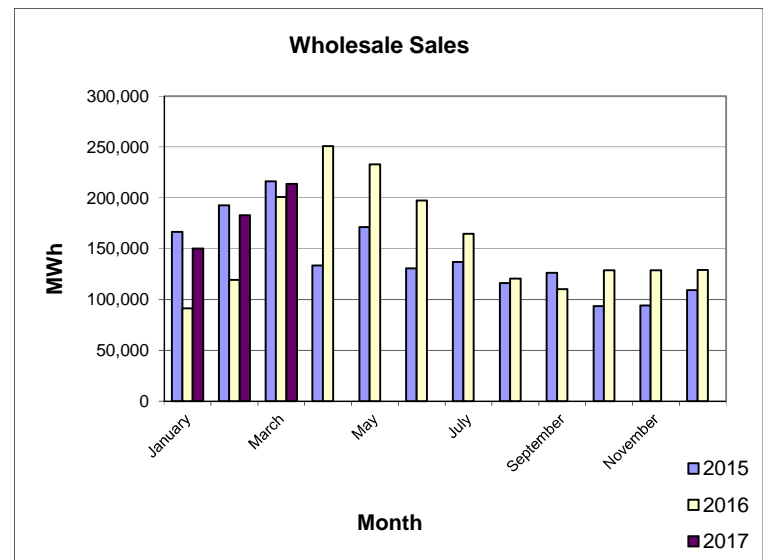
General Service & Large Industrial Sales in MWh

	2015	2016	2017
January	117,866	117,905	121,636
February	111,091	114,969	110,038
March	113,463	114,088	121,755
	<u>342,420</u>	<u>346,962</u>	<u>353,429</u>
April	116,038	112,987	0
May	117,742	117,677	0
June	117,015	114,827	0
	<u>350,795</u>	<u>345,491</u>	<u>0</u>
July	125,672	123,364	0
August	122,673	120,117	0
September	115,459	116,236	0
	<u>363,804</u>	<u>359,717</u>	<u>0</u>
October	110,229	97,802	0
November	130,010	114,712	0
December	101,752	123,126	0
	<u>341,991</u>	<u>335,640</u>	<u>0</u>
Total	<u><u>1,399,010</u></u>	<u><u>1,387,810</u></u>	<u><u>353,429</u></u>



Total Wholesale Sales in MWh

	2015	2016	2017
January	166,562	91,229	150,213
February	192,878	119,306	182,911
March	216,315	200,903	213,771
	<u>575,755</u>	<u>411,438</u>	<u>546,895</u>
April	133,635	251,173	0
May	171,384	233,001	0
June	130,835	197,619	0
	<u>435,854</u>	<u>681,793</u>	<u>0</u>
July	136,993	164,635	0
August	116,194	120,758	0
September	126,384	110,175	0
	<u>379,571</u>	<u>395,568</u>	<u>0</u>
October	93,491	128,793	0
November	94,117	128,802	0
December	109,166	129,274	0
	<u>296,774</u>	<u>386,869</u>	<u>0</u>
Total	<u><u>1,687,954</u></u>	<u><u>1,875,668</u></u>	<u><u>546,895</u></u>





MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Helgeson, Brown, Mital, Simpson and Carlson
 FROM: Sue Fahey, Chief Financial Officer; Aaron Balmer, Interim General Accounting Supervisor
 DATE: April 21, 2017
 SUBJECT: Water Utility First Quarter 2017 Financial Report
 OBJECTIVE: Information Only

Schedule of Revenues, Expenses, and Changes in Net Position (Income Statement)–Page 3

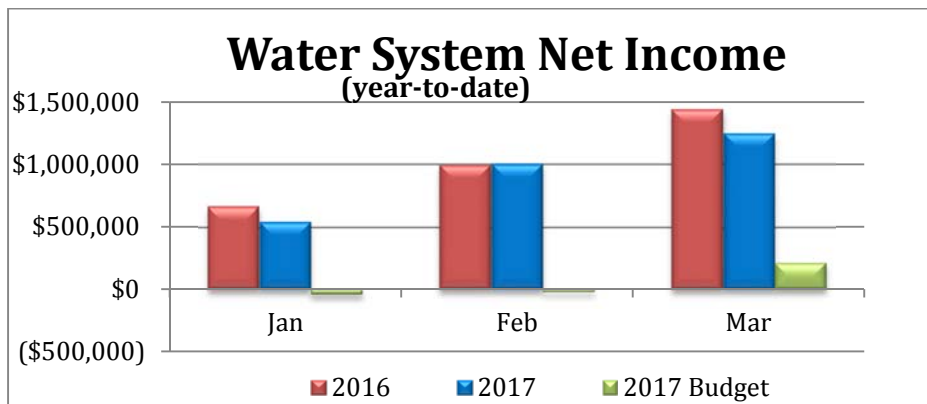
Income before capital contributions (Net Income)

Net income for the Water Utility as of March is \$1.2 million and is favorable to the seasonally shaped budget by \$1.0 million. This is due to a combination of higher than budgeted revenues and lower than budgeted expenses for this point in the year.

The variance from budget breakdown is as follows: (in thousands)

- Retail Revenue over budget \$ 598
- Wholesale and Other revenue over budget 123
- Operating Expenses under budget 260
- Non-operating revenues over budget 56
- Non-operating expenses over budget (4)
- \$1,033

For purposes of analysis, the revenue budget has been modified to reflect seasonal fluctuations. The comparison to annual budget in the chart below is seasonally shaped. Within the Water Utility, revenue and consumption peak in the summer. Fixed costs remain fairly constant throughout the year. This results in a budgeted net loss early in the year.



Operating Revenues

Residential and Commercial and industrial sales are higher than the seasonally shaped budget and are above prior year levels primarily as a result of increased consumption.

Sales for resale and other includes sales to Water Districts and the Willamette Water Company, as well as sales to the City of Veneta. Other operating revenue includes revenues from customer account related fees and reimbursements for billable work. The \$123 thousand above the seasonally shaped budget is primarily due to larger amounts of billable work being performed.

Operating expenses

Operating expenses are 96% of the seasonally shaped budget. However, they have increased compared to 2016, reflecting a shift in work from capital to O&M.

Source of supply and pumping is below budget by \$186 thousand due to multiple factors. Finance will continue to monitor activity going forward to further identify variance drivers as the year progresses.

Transmission and distribution is below budget by \$347 thousand due in part to vacant positions. The budget for transmission and distribution also includes \$476 thousand of the water utility's contingency funds, which has not yet been allocated for spending and contributes to the positive budget variance. Also contributing to the positive variance are charges related to maintenance and construction services and professional and technical services which are also below budget for this point in the year.

Transmission and distribution expenses are up year over year. A primary driver is a significant decrease in overhead credit transfers due to less capital work performed so far this year as compared to prior year.

Administration and general expenses are at 136% of the seasonally shaped budget. They have increased compared to 2016. This is due in part to a significant decrease in overhead credit transfers when compared to both the budget and prior year. We expect overhead credit transfers to increase as we move into the construction season. At this time we expect Administration and general expenses to trend closer to budget as we progress through the year.

Statement of Net Position (Balance Sheet)–Page 4

Utility Plant in Service is \$7 million less than the December 2016 figure. This is the result of a year-end accrual done for financial reporting purposes. There was a reclassification between Construction work in progress and Utility plant in service.

Eugene Water & Electric Board
Water Utility
Schedule of Revenues, Expenses and Changes in Net Position
for the three months ended March 31, 2017

	Prior Year Comparison		YTD Budget Comparison			Budget Variance to Actual
	Actual 2017	Actual 2016	Annual Working Budget	Budget \$	Budget %	
Residential	\$ 4,118,760	\$ 4,026,672	\$ 20,405,566	\$ 3,861,000 ¹	107%	\$ 258,000
Commercial and industrial	2,963,769	2,648,048	13,925,378	2,624,000 ¹	113%	340,000
Sale for resale and other	740,711	735,064	3,449,130	618,000 ¹	120%	123,000
Operating revenues	7,823,240	7,409,784	37,780,074	7,103,000	110%	721,000
Source of supply, pumping and purification	1,251,735	1,081,488	5,750,047	1,438,000	87%	186,000
Transmission and distribution	1,552,236	1,322,740	7,594,321	1,899,000	82%	347,000
Customer accounting	403,659	314,935	1,627,347	407,000	99%	3,000
Conservation expenses	73,455	45,786	414,351	104,000	71%	31,000
Administrative and general	1,218,776	978,192	3,589,647	897,000	136%	(322,000)
Depreciation on utility plant	1,500,646	1,501,505	6,063,784	1,516,000	99%	15,000
Operating expenses	6,000,507	5,244,646	25,039,497	6,261,000	96%	260,000
Net operating income	1,822,733	2,165,138	12,740,577	842,000	216%	981,000
Investment earnings	139,867	100,084	394,970	99,000	141%	41,000
Other revenue	17,533	36,868	7,200	2,000	877%	16,000
Non-operating revenues	157,400	136,952	402,170	101,000	156%	56,000
Other revenue deductions	1,299	49,728	85,000	21,000	6%	20,000
Interest expense and related amortization	545,760	533,971	2,096,078	524,000	104%	(22,000)
Interest expense, Electric	185,443	276,476	737,405	184,000	101%	(1,000)
Non-operating expenses	732,502	860,175	2,918,483	729,000	100%	(4,000)
Income before capital contributions	1,247,631	1,441,915	10,224,264	214,000	583%	1,034,000
Contribution in aid of construction	346,736	170,277	1,133,000	283,000	123%	64,000
Contributed plant assets	497,036	102,213	-	-	0%	497,000
System development charges	259,305	379,402	412,000	103,000	252%	156,000
Increase in net position	\$ 2,350,708	\$ 2,093,807	\$ 11,769,264	\$ 600,000	392%	\$ 1,751,000

Notes:

¹ Seasonal budget figure based on cyclical account activity averaged from the past four years.
Unmarked budget figures are not shaped and are allocated using a straight-line method.
Budget variance column may not add up due to rounding.

Eugene Water & Electric Board
Water Utility
Statement of Net Position
March 31, 2017

	2017	2016	December 2016
Assets			
<u>Capital assets</u>			
Utility plant in service	\$ 260,163,954	\$ 252,936,084	\$ 267,601,807
Less - Accumulated depreciation	(112,840,907)	(107,037,257)	(111,343,682)
Net utility plant in service	147,323,047	145,898,827	156,258,125
Property held for future use	1,188,920	1,151,497	1,184,434
Construction work in progress	13,142,787	7,995,373	3,063,265
Net Utility Plant	161,654,754	155,045,697	160,505,824
<u>Current assets</u>			
Cash and cash equivalents	5,742,409	7,848,801	4,740,905
Short-term investments	-	-	845,370
Restricted cash and investments	19,599,157	7,373,569	19,562,392
Designated cash and investments	27,989,795	16,421,775	14,959,703
Receivables, less allowances	3,420,437	2,974,541	3,298,133
Material and supplies, at average cost	883,485	975,527	900,943
Prepayments and special deposits	1,271,249	1,376,798	1,254,708
Total current assets	58,906,532	36,971,011	45,562,154
<u>Non-current assets</u>			
Long-term investments - designated	-	-	12,286,276
Long-term investments - unrestricted	-	-	1,269,344
Long-term receivables, conservation and other	143,548	197,673	157,206
Other assets	4,113,966	2,127,736	4,124,167
Total non-current assets	4,257,514	2,325,409	17,836,993
Deferred Outflows of Resources			
Deferred Outflows of Resources	11,511,992	2,219,259	11,561,575
Total Assets & Deferred Outflows	\$ 236,330,792	\$ 196,561,376	\$ 235,466,546
Liabilities			
<u>Current liabilities</u>			
Payables	\$ 609,984	\$ 208,797	\$ 1,201,768
Accrued payroll and benefits	1,066,089	1,251,705	1,094,979
Accrued interest on long-term debt	386,508	336,100	966,271
Long-term debt due within one year	1,840,000	1,920,000	1,840,000
Due to Electric System	779,674	796,702	870,656
Total current liabilities	4,682,255	4,513,304	5,973,674
<u>Non-current liabilities</u>			
Long term debt			
-note and bonds payable	59,180,746	43,921,268	59,273,233
Due to Electric System	16,456,494	17,097,428	16,612,001
Net pension liability	19,059,020	8,190,233	19,059,020
Other liabilities	320,435	253,634	267,484
Total liabilities	99,698,950	73,975,867	101,185,412
Deferred Inflows of Resources			
Deferred inflows of resources	1,009,432	1,947,248	1,009,432
Net Position			
Net invested in capital assets	98,972,280	94,369,641	97,536,117
Restricted	8,016,594	7,015,660	7,368,976
Unrestricted	28,633,536	19,252,960	28,366,609
Total net position	135,622,410	120,638,261	133,271,702
Total Liabilities, Deferred Inflows & Net Position	\$ 236,330,792	\$ 196,561,376	\$ 235,466,546

Eugene Water & Electric Board
Water Utility
Capital Budget Comparison
for the three months ending March 31, 2017

	<u>Current Month</u>	<u>Year-to-Date</u>	<u>Annual Working Budget</u>	<u>% of Budget</u>
Meters (Pre-capped) ¹	\$ 30,206	\$ 87,719	\$ -	0.0%
Type 1 Capital				
Buildings & Land	810	895	248,000	0.4%
Distribution Facilities	78,209	119,244	1,339,000	8.9%
Distribution Pipe & Services ¹	482,476	1,316,485	6,181,001	21.3%
Information Technology	70,828	89,056	196,002	45.4%
Source Of Supply	52,734	226,061	1,029,999	21.9%
Water Fleet	104,726	104,726	610,000	17.2%
Total Type 1 Capital	<u>789,783</u>	<u>1,856,467</u>	<u>9,604,002</u>	19.3%
Type 2 Capital				
AMI ¹	19,091	(24,319) ²	133,000	-18.3%
CIS	-	-	1,080,000	0.0%
Distribution Facilities	52,966	59,678	1,277,000	4.7%
Distribution Pipe & Services	1,454	(2,730) ²	-	0.0%
Source Of Supply	8,054	(34,485) ²	3,090,000	-1.1%
Total Type 2 Capital	<u>81,565</u>	<u>(1,856)</u>	<u>5,580,000</u>	0.0%
Type 3 Capital				
Source Of Supply	70,018	128,257	530,000	24.2%
Total Type 3 Capital	<u>70,018</u>	<u>128,257</u>	<u>530,000</u>	24.2%
Total Capital before CIA	971,572	2,070,587	15,714,002	13.2%
Contributions in aid	<u>(193,190)</u>	<u>(346,736)</u>	<u>(1,133,000)</u>	30.6%
Grand Total	<u>\$ 778,382</u>	<u>\$ 1,723,851</u>	<u>\$ 14,581,002</u>	11.8%

¹ Meters are capitalized at the time of purchase. The budget for meters is included within the Distribution Pipe and Services project and the AMI project. However, the actual costs are not included in project reporting in WAM and are included as their own line item.

² Negative amounts in the Year-to-Date column stem from year end accrual activity. They will reverse as invoices are received and posted.

Capital

The capital budget is approved by the Board as the maximum amount allowable for all capital work. Annual budgets by type and by individual project are prepared for planning and reporting purposes, but overall budget accountability to the Board remains at the total capital spending level. Information by project is provided in the quarterly EL1 report.

**Eugene Water & Electric Board
Water Utility
Financial Ratios
March 31, 2017**

	<u>YTD</u> <u>2017</u>	<u>Status</u>	<u>December</u> <u>2016</u>	<u>PERFORMANCE</u> <u>STANDARD</u>
Current Ratio	12.58	●	7.63	≥ 3.25
Debt as % of Net Book Value	41%	●	39%	≤ 60%
Debt Service Coverage - Annualized	4.11	●	6.32	≥ 2.0
Age of System - Overall	43%	●	42%	≤ 60%
Pumping Plant			67%	
Water T&D Plant			49%	
Days Unrestricted Cash	643	●	694	90 to 120 days
Rate of Return - Annualized	8%	●	10%	Range 5-7%

Ratios

The current ratio, a measure of current assets compared to current liabilities, is well above the Board performance target of 3.25, due primarily to the deposit of water bond proceeds in May 2016. A portion of these balances is reclassified annually in December to long-term investments for external reporting. Strong sales, lower expenses and the adoption of a smoothing strategy by the Board are allowing the utility to accumulate cash and reserves. The debt service ratio continues to be well above the target of 2.0. All other ratios are performing better than the Board performance standards.

Note: See next page for ratio definitions

Current Ratio

Total current assets to total current liabilities. This ratio measures the utility's short-term liquidity (ability to pay bills). The standard is set by EWEB financial policies and is meant to support a higher than average credit rating.

Debt as % Net Book Value (NBV)

Ratio of the amount of debt outstanding against the remaining Net Book Value of assets. This metric measures overall leverage of the system in an effort to align debt service payments with the useful lives 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. The performance standard is meant to support a double A credit rating.

Age of System

Ratio of accumulated depreciation against the historical value of assets. This ratio measures how old the system is as compared to how much has been depreciated. Infrastructure over 65% depreciated should be watched for aging, while infrastructure less than 50% depreciated is representative of newer systems.

Days Unrestricted Cash

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. Standard and Poor's Industry Standards for Investment Grade ratings are typically 60 to 90 days. The higher performance standard supports higher credit rating.

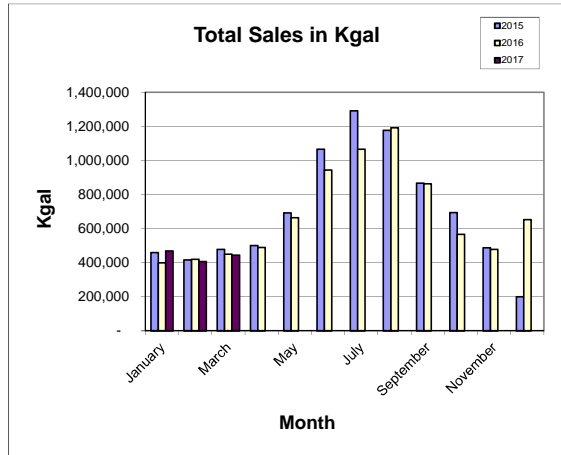
Rate of Return

Rate of return on investment, expressed as a percentage of the total amount invested in infrastructure. This ratio measures the utility's ability to pay current infrastructure costs and future replacement costs. A range of 5-7% is consistent with AWWA materials indicating regionally, the upper quartile for return on assets is approximately 6%.

Water Utility Sales in Kgal March 2017

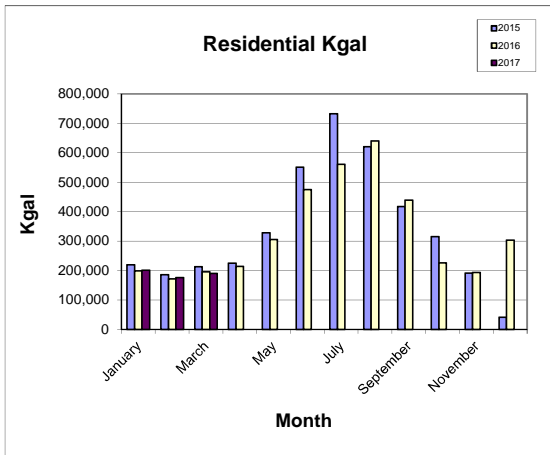
Total Water Sales in Kgal

	2015	2016	2017
January	459,108	399,369	469,493
February	404,303	419,161	405,815
March	467,462	450,547	444,552
Q1 total	1,330,873	1,269,077	1,319,860
April	487,636	488,756	0
May	679,838	662,977	0
June	1,051,349	942,995	0
Q2 total	2,218,823	2,094,728	0
July	1,255,528	1,066,322	0
August	1,145,986	1,190,789	0
September	840,585	863,372	0
Q3 total	3,242,099	3,120,483	0
October	674,261	566,078	0
November	473,737	478,000	0
December	187,717	653,434	0
Q4 total	1,335,715	1,697,512	0
Annual total	8,127,510	8,181,800	1,319,860



Residential Sales in Kgal

	2015	2016	2017
January	219,363	199,360	200,913
February	186,053	172,258	176,564
March	213,577	195,684	190,004
Q1 total	618,993	567,302	567,481
April	225,226	214,567	0
May	328,179	305,247	0
June	551,652	474,954	0
Q2 total	1,105,057	994,768	0
July	732,314	560,639	0
August	620,535	640,466	0
September	417,603	439,526	0
Q3 total	1,770,452	1,640,631	0
October	315,532	226,033	0
November	191,016	193,702	0
December	41,102	303,194	0
Q4 total	547,650	722,929	0
Total	4,042,152	3,925,630	567,481



General Service in Kgal

	2015	2016	2017
January	239,745	200,009	268,580
February	218,250	246,903	229,251
March	253,885	254,863	254,548
Q1 total	711,880	701,775	752,379
April	262,410	274,189	0
May	351,659	357,730	0
June	499,697	468,041	0
Q2 total	1,113,766	1,099,960	0
July	523,214	505,683	0
August	525,451	550,323	0
September	422,982	423,846	0
Q3 total	1,471,647	1,479,852	0
October	358,729	340,045	0
November	282,721	284,298	0
December	146,615	350,240	0
Q4 total	788,065	974,583	0
Total	4,085,358	4,256,170	752,379

