MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

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

FROM: Erin Erben, Chief Customer Officer; Greg Brownell, Portfolio Management Supervisor; Jonathan Hart, Power Trader

DATE: April 21, 2017

SUBJECT: 2017 Power Market and Budget Hedging Update

OBJECTIVE: Information Only

Issue

The purpose of this backgrounder is to provide an annual update of wholesale power markets.

Background

The Pricing and Portfolio Management department, along with Power Operations, manages EWEB power supply and wholesale market activities consistent with utility financial objectives, in accordance with Board Policy contained in SD8, and as further described in the EWEB Energy Risk Management Procedures.

Discussion

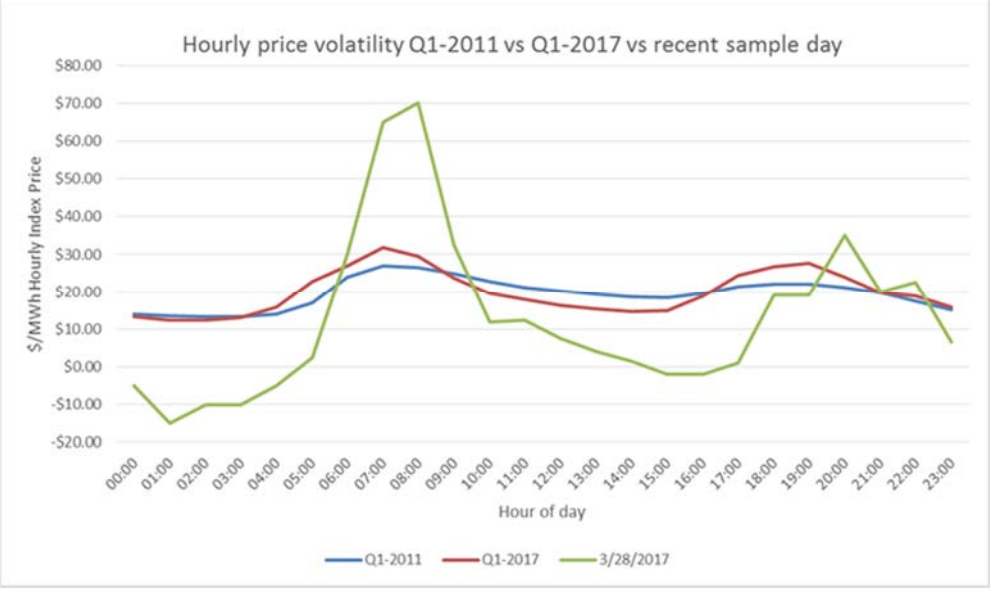
Market Price Update

Wholesale energy markets can generally be described as either near term spot markets or long term forward futures markets. For spot markets, prices are impacted by near term weather (temperature and precipitation) and operational phenomena (generator, transmission), where long term markets are more likely impacted by forecasted structural changes in resource abundance and consumer demand.

For 2017, northwest spot markets price are among the lowest seen in decades. Several factors are contributing to these historic prices. First off, the Columbia River Basin is expected to receive 132% of its normal water supply for the season (Oct-Sep). This ranks the water year 6th out of the last 57 years tracked by NOAA[1]. Secondly, export pricing to California has been soft given the state's remarkable drought recovery[2] and aggressive schedule of renewables development[3]. Finally, natural gas prices remain low and were near 20 year lows in 2016[4]. 2017 natural gas prices are expected to be higher than 2016[5], which could boost energy market values, but overall the region is awash low value energy.

While daily average spot prices are declining, we are starting to see increased volatility in intraday prices. This volatility appears to coincide with increases in California solar build outs which have a tendency to stress system capacity during shoulder periods[6]. This change in diurnal pricing pattern (illustrated below) is now appearing in northwest markets. While the solar build outs push down prices overall they generally yield additional value to flexible resources such Carmen Smith.

Figure 1: Example day of real time price volatility with historical comparators

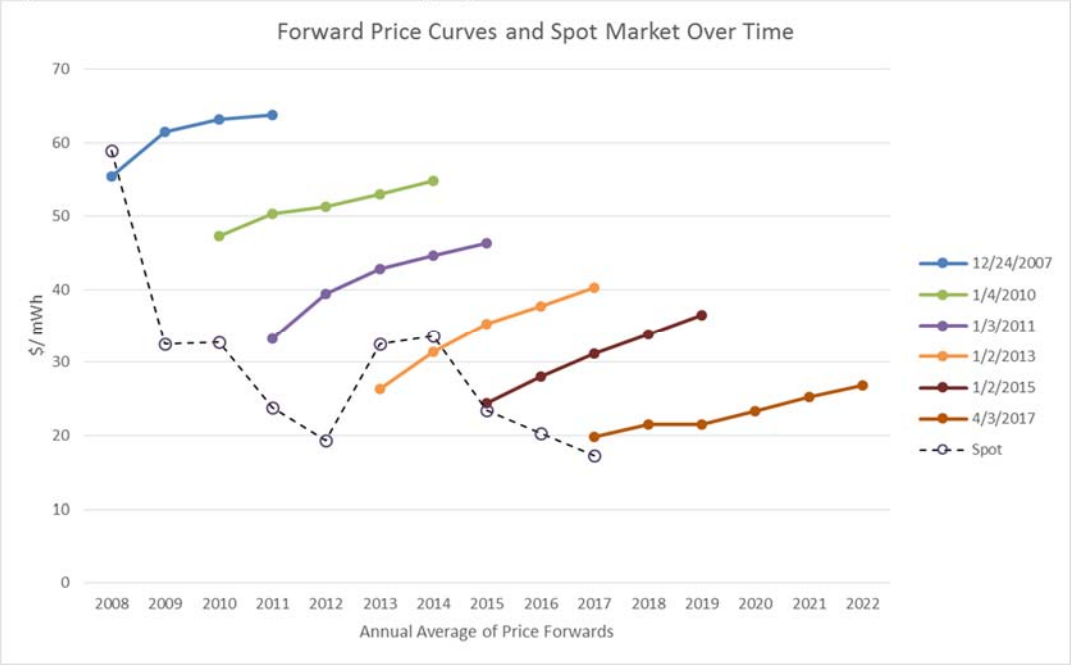


[1] https://www.nwrfc.noaa.gov/water_supply/ws_ranking.cgi?id=TDAO3&per=OCT-SEP
[2] https://www.eia.gov/todayinenergy/detail.php?id=30452
[3] http://www.energy.ca.gov/renewables/tracking_progress/documents/renewable.pdf
[4] https://www.eia.gov/todayinenergy/detail.php?id=29552
[5] https://www.eia.gov/todayinenergy/detail.php?id=29632
[6] https://www.eia.gov/todayinenergy/detail.php?id=30692

The trends, noted above, impact the forward northwest energy futures markets, as well as the spot markets previously discussed. The futures markets continue to fall relative to historical periods. This pattern is driven largely by continued expectations for low price natural gas and increases in renewable development (wind/solar) created by the renewable legislations ("RPS").

The chart below shows forward curves over time and spot market prices. A forward curve reflects prices for future periods in tradable markets. The first line reflects forward curve was taken at the end of 2007. Trades executed during this time would likely reflect this sort of pricing. The subsequent lines reflects changing forward curves for each year after that.

Figure 2: Historical forward curves and spot prices

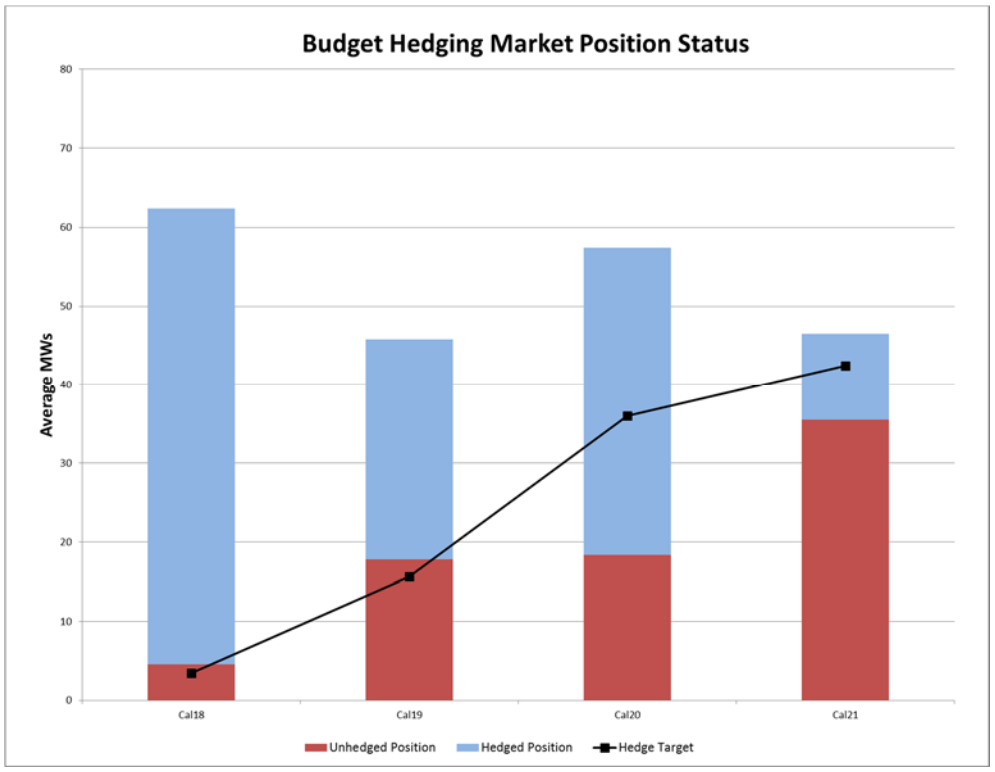


Surplus Position Hedging Update

The chart below shows EWEB's surplus market position for 2017-2021 based on the budget hydro assumption of 90% of expected hydro conditions. The top of the chart indicates EWEB's original surplus market position. The red band represents unhedged energy surplus. The black line reflects the desired volume of hedging the RMC would like to achieve over time.

EWEB hedges a portion of its surplus position up to five years in advance. This provides two benefits: 1) it reduces financial exposure related to market prices; and 2) it results in sales executed at various times which diversifies the sales price by "dollar cost averaging" through time. This strategy results in near term years being fully hedged while year five is the least hedged, with interim years somewhere in between. Beyond five years Power Operations does not hedge any surplus energy.

The value of all current executed hedges for forward periods is approximately $12M of forward value when compared to today's market. Said another way, EWEB has benefited by an estimated $12M compared to not hedging for the period from today through 2021.



Requested Board Action - None

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO:	Commissioners Helgeson, Brown, Mital, Simpson, and Carlson
FROM:	Sue Fahey, Chief Financial Officer; Deborah Hart, Fiscal Services Supervisor Anna Wade, Lead Financial Analyst
DATE:	April 21, 2017
SUBJECT:	Annual Report on Power Trading Compliance
OBJECTIVE:	Information Only

Issue
Board Policy SD8, governing Power Risk Management, requires the Chief Financial Officer to present a report to the Board at least annually that covers trading and contracting compliance. This backgrounder provides that information for calendar year 2016.

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

Discussion
The following discussion is framed around the specific responsibilities of the Risk Management Committee (RMC) which are codified in the SD8 policy. A detailed itemization of instances in which compliance was maintained through exception is provided herein.

SD8.1 – Anti-speculation Statutes: **In Compliance**
To comply with anti-speculation statutes, SD8 requires managing its average megawatt market positions so that exposure to prices is limited. Occasionally, changes to forecasts, load and/or generation result in position limits being exceeded. In those events, the Power Risk Management Procedures require positions to be brought back into compliance no later than the next trading day unless preapproved by the Chief Financial Officer and Power Operations Manager. EWEB was in compliance with this procedure in 2016.

SD8.2 – Development of Detailed Control Procedures: **In Compliance**
SD8 requires that the RMC develop detailed procedures and review them on an ongoing basis. Within these procedures, processes are defined which govern roles and responsibilities, daily trade activity, and exception authorization.

SD8.3 – Notification of changes to compliance limits: **In Compliance**
The RMC reviews compliance metrics on at least a monthly basis. No changes to compliance limits were recommended or approved by the RMC during the 2016 calendar year.

SD8.4 – Oversee control infrastructure and monitor compliance: **In Compliance**
Much of EWEB's control infrastructure is embedded in the Energy Trading and Risk Management (ETRM) system, Allegro. Risk staff monitor transaction activity through a variety of automated alerts and reports. Additionally, market compliance is monitored through advanced spreadsheet modeling which is regularly monitored by risk staff and reviewed by the RMC. Access to this model is restricted to approved staff members only.

SD8.5 – Authorize and monitor risk reports for financial results, market positions and credit exposure: **In Compliance**
The RMC met in each month of 2016 with the exception of September. In that instance, voting members received up to date compliance reporting materials in lieu of meeting. These materials provide the basis for monitoring financial results and compliance with market position limits and credit.

SD8.6 – Review and approve contracts which impact EWEB's power portfolio: **In Compliance**
The RMC provides cross-functional oversight and review of any contracts that may have an impact on EWEB's portfolio to ensure that the Board mandate of risk mitigation and financial stability are maintained. Where contracts demand the higher authority of the Board, the RMC provides direction and preliminary review in advance of Board action.

2016 RMC Actions
In addition to reviewing compliance on a monthly basis, the following actions were taken by the RMC in 2016:

- A June power trade created an out of compliance position. This transaction was supported and approved jointly by the Power Operations Manager and the Chief Financial Officer. In this instance, expected length was considerable enough to warrant temporary exception while the calculation of firm was analyzed in light of water year conditions.
- In March and October of 2016, the RMC reviewed and authorized a temporary approval strategy to accommodate the reorganization taking place in the utility.
- Chief Engineering and Operations Officer was added to the RMC voting membership by unanimous support.
- Mid-term trade authority was authorized on an exception basis to a Short-term trader. Authority was provided by the Power Operations Manager and reported to the RMC.
- Credit authority was granted by exception on three occasions; once for credit over-run on a broker executed trade and twice for tenor where transaction duration exceeded standing credit policy. These exceptions were authorized jointly by the Power Operations Manager and the Chief Financial Officer as required by the Risk Management Procedures.

- RMC reviewed and approved the SD8 redraft for Board consideration and approval.
- An amendment to the Seneca Power Purchase Agreement was reviewed and approved by the RMC.
- The RMC directed staff to update the Risk Management Procedures to reflect the Board approved edits of SD8, and the restructure of Executive Management and reorganization of relevant business units. This work was reviewed on multiple occasions throughout 2016 (*Subsequently, in February of 2017, a new draft of the procedures was approved by the RMC*).

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

Capital "EL1" Report: Electric, 2017 -Q1

Note - Changes from previous report(s) are in **BOLD**

Type 1 - General Capital

Capital Category	2017 thru Q1 Budget	YTD Actual	Year-End Projection	Status/Comments
Electric Infrastructure - Generation	**$1,196,000 (Note 2)**	**$112,346**	**$1,200,000**	**Implementation of capital work will begin in Q2 during the planned outages at IP in April/May and Walterville in June. Seismic early warning system installations underway at Leaburg and Carmen-Smith. Debris management improvements at Leaburg Lake and Smith Reservoir timed for late 2017. - ZINNIKER**
Electric Infrastructure - Substations	**$1,741,000**	**$227,868**	**$1,741,000**	**Type 1 Projects currently tracking on planned schedule. Bertelsen 115kV breaker and swich replacement outage planned for mid May-July. Remainder of R&R projects are short duration and do not require extended substation outages (comm upgrades, 15kV Breaker replacements, battery replacements, etc.). - NICE**
Electric Infrastructure - Telecom	**$600,000**	**$2,141**	**$600,000**	**Crews have begun installing fiber conduit for the Downtown Network. City of Eugene still awaiting Economic Development Grant that may slow the project schedule. (Damewood)**
Electric Infrastructure - Transmission & Distribution	**$6,754,000**	**$1,561,728 (1)**	**$6,345,000**	**Budget on track. - Fraser**

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

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

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

Type 2 Rehabilitation & Expansion Projects

Project	2017 thru Q1 Budget	YTD Actual	Year-End Projection	Project Total Initial Plan	To-Date Actual	Project-End Projection	Schedule Start	Initial Planned Completion	Projected Completion	Status/Comments
Leaburg Dam Roll Gate Hoists	**$0**	**$29,221**	**$700,000**	$5,150,000	**$6,318,582**	$7,000,000	Jul-2012	Nov-2014	Apr-2017	**All three hoist systems released for full automatic operation in Q1. Final payments to contractors pending punch list completion, expected by the end of Q2 2017. Potential repair of worn gate teeth under design for Fall implementation. Monitoring overall capital budget to determine if amendment necessary. ZINNIKER**
Upriver Re-Configuration/Holden Ck. Substation	**$4,582,000 (Note 2)**	**$967,234**	**$4,457,000**	$3,000,000	**$1,550,073**	$5,800,000	Jan-2014	Oct-2015	**Feb-2018**	**Major procurement contracts have been completed. Transformers have been delivered, switchgear is scheduled for delivery in September 2017. Other major components (steel structures, bus, instrument transformers, etc.) have been ordered and are relatively short lead times. The construction contract has been awarded and the contractor is currently developing a detailed schedule and planning submittals. FERC has communicated that there are no major concerns and that the construction has been approved, however final documents are in process. Lane County Permitting Design meeting has been completed and questions from Lane County are being addressed; final permit will follow and not expected to hold schedule. Technical review of the 115kV interconnection is in process, and EWEB is awaiting BPA's final schedule and comment. The substation construction is expected to be complete in late October 2017, with EWEB crews finishing final wiring, testing and commissioning through January 2018. - NICE**
Downtown Distribution Network	**$1,600,000 (Note 2)**	**$15,086**	**$1,026,000**	$15,000,000	**$266,570**	$20,000,000	Sep-2010	Dec-2015	Dec-2019	**Downtown Network protector replacements to occur at Lane County Building, Jail, US Bank and Hult Center and are scheduled for completion spread May through December in series. Engineering is currently in planning phase for remaining work developing preliminary design, scope, schedule and budget for priority of cable replacements, system modeling and configuration and comm. upgrades. - NICE**
Grid Edge Demonstration Project	**$837,000 (Note 2)**	**$11,591**	**$837,000**	$1,200,000	**$143,455**	$1,157,000	**May-2016**	**Jun-2017**	**Mar-2017**	**Design build RFP advertisement scheduled to be completed mid June with award in July to winning manufacturer and integrator. Procurement and delivery of materials scheduled by year end with installation and commissioning planned for Q1 of 2018. Totals do not include $262k of grant funding which will be reimbursed at major milestones and completion. - NICE**

Type 3 - Strategic Projects & Programs

Project	2017 thru Q1 Budget	YTD Actual	Year-End Projection	Project Total Initial Plan	To-Date Actual	Project-End Projection	Schedule Start	Initial Planned Completion	Projected Completion	Status/Comments
Carmen Smith License Implementation	$11,700,000	**$753,665**	**$11,600,000**	$135,000,000	**$38,614,821**	$129,500,000	May-2009	Dec-2021	Dec-2025	The Project End Projected has been updated to reflect the 2016 Settlement Agreement that has been filed with the FERC. A Technical Conference was held in March 2017 to discuss the licensing process and changes to the Settlement Agreement. Staff is updating the remaining FERC exhibits and the Biological Assessment in support of the regulatory process. We expect the license to be issued no earlier than 2018. Implementation of 5-year plan to address aging infrastructure at Carmen Powerhouse underway. Gantry crane rehab complete. Preparations for turbine shutoff valve replacement nearing completion. Carmen Powerhouse outage scheduled to start in June with intent to complete by the end of October (ZINNIKER, BOYLE)

Total Electric Capital (Excluding Shared Services)	**$29,010,000**	**$3,669,289**	**$28,506,000**	**98%**

Note(s) 1. Distribution transformers and network protectors are being capitalized when received in inventory, therefore some projects in T&D and Downtown network are understated.

2. Budget amounts are adjusted to reflect changes presented and approved by the Board on April 4, 2017 (April True Up)

Management Notes: The Electric Capital Budget expenditure rate is lower than actual to date (13% vs. 25%), Type I expenditures predicted year end is at100% of budget vs. actual., with about 20% spent through Q1. Type II spending ended at 16% of Q1 spending, and projected expenditures year end at 98%. Holden Creek Substaiton project is slated to complete in 2017 and Downtown Network projects are lined up for this year. Carmen Smith spending is lagging for the year but expenditures will pick up sharply in Q2 and Q3 due to work being conducted by our engineering consultant and turbine shut off valve installation. The total project-end cost for Carmen has not yet been adjusted downward to account for potential re-negotions of settlement agreement. That will be reflected in the 2018 CIP to be presented to the Board in July 2017. Year end results of total expenditures vs. budget is at 98% excluding Shared Services. The Budget figures do not reflect the April True-up Budget Adjustments.

Capital "EL1" Report: Water, 2017 -Q1

Type 1 - General Capital

Project	2017 Budget	2017 YTD Actual	2017 Year-End Projection	Status/Comments
Source - Water Intakes & Filtration Plant	$1,030,000	$226,000	$1,030,000	Largest item is solids improvement project. Also included are costs for treatment trailer equipment, a SCADA/Historian upgrade and close out work for the South Filter Upgrade.
Mains - Replacements, Improvements, & Trans.	$4,378,000	$880,000	$4,378,000	Largest componenet in this area is main replacements. This item is tracking well so far at 24% of budget spent. Cost reporting does lag however, so we will be watching this number closely
Services and Meters	$1,803,000	$437,000	$1,803,000	Includes both new services and meters as well as replacement of existing service lines
Pump Stations	$1,236,000	$120,000	$1,236,000	Work this year includes Upgrades at Santa Clara and Laurel Hill Pump Stations, a new Crenshaw Pump Station (reimbursable) and work on a new City View 1150 Pump Station.
Reservoirs	$103,000	$0	$103,000	2017 work includes new hatch/vent and ladder at Crest 800 Reservoir

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

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

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

Type 2 Rehabilitation & Expansion Projects

Project	2017 Budget	2017 YTD Actual	2017 Year-End Projection	Project Total Initial Plan	Project Total To-Date Actual	Project Total Project-End Projection	Schedule Start	Schedule Initial Planned Completion	Schedule Projected Completion	Status/Comments
Hayden Bridge Disinfection System Replacement	$700,000	$4,000	$700,000	$3,645,000	$4,000	$3,880,000	2017	YE-2018	YE-2018	Replacement of gas chlorine system with on-site liquid hypochlorite system. Project currently in design. (Initial Plan - 2015 CIP)
Hayden Bridge Seismic Upgrades	$515,000	$0	$515,000	$1,215,529	$1,117,067	$1,740,000	2014	YE-2015	Q1-2018	Phase 1 (Basins and Filters) is complete. Phase 2 (Headhouse) deferred to 2017-2018. Phase 1 costs more expensive than anticipated. (Initial Plan - 2013 CIP)
Distribution System Scada/PLC Upgrades	$412,000	$57,000	$412,000	$3,079,780	$538,109	$1,520,000	2013	YE-2016	YE-2019	Multi-Year upgrade project. Completed Crest System. Currently working on Shasta, Dillard, and Willamette systems. Project complexities and staffing limitations are affecting schedule (Initial Plan 2013 CIP)
Hayden Bridge Standby Power Improvements	$1,030,000	$8,000	$1,030,000	$1,728,000	$34,666	$1,060,000	2015	YE-2017	Q1-2018	Currently in design phase. Will be prepurchaseing two generators, one for Hayden Bridge Plant and one for Intakes. Construction and electrical work anticipated this fall. (Initial Plan - 2015 CIP)
Hawkins Reservoir Improvements	$300,000	$3,000	$350,000	$2,067,000	$3,000	$2,340,000	2014	YE-2018	Q2-2019	Results of upcoming structural evaluations may increase scope. Any scope increase should by known by second quarter EL-1 report. (Initial Plan 2016 CIP)

Type 3 - Strategic Projects & Programs

Project	2017 Budget	2017 YTD Actual	2017 Year-End Projection	Project Total Initial Plan	Project Total To-Date Actual	Project Total Project-End Projection	Schedule Start	Schedule Initial Planned Completion	Schedule Projected Completion	Status/Comments
Second Source of Supply	$1,830,000	$128,000	$1,700,000	Varied from $52M to $120M	$1,008,000	$67,000,000	2014 with Planning	YE-2021	YE-2021	Property purchase for plant will occur in 2017. Currently completing preliminary design for Filtration Plant and Related Facilities. Yellow due to pending questions on project direction.

Total Water Capital (Excluding Shared Services)	$13,337,000	$1,863,000	$13,257,000	99%	year end projection to budget

Management Notes: Overall Water's Type 1 projects are tracking well. Our largest item in this area, Main Replacements is at approximately 24% of budget spent. Costs do lag in the reporting system however, so we will need to watch this area closely. On the Water Type 2 projects, we are tracking low in the first quarter. This year is different than last in that in 2016 there were numerous large construction projects occurring over the entire year. The first part of this year numerous projects are in the design phase hence the low year to date actual. Spending will increase significantly later in the year as construction begins on several projects. Overall, water has $13,337,000 budgeted for capital in 2017 (adjusted for the April True-Up) and anticipates spending that amount. Engineering's target is attain at least 90% expenditures of the capital budget amounts.

Capital "EL1" Report: Shared Services, 2016-Q4

Type 1 - General Capital

Note - Changes from previous report(s) are in **BOLD**

Capital Category	2017- Q1 Budget	YTD Actual	Year-End Projection	Status/Comments	
General Plant - Information Technology (I.T.)	$685,000	**$405,402**	$650,000		**Emergency SAN Replacement Complete. Capital replacement of aging infrastructure expected throughout the year. (Barton)**
General Plant - Buildings & Land Management	$2,622,000	**$14,437**	$1,754,000		**Elevator Contracts approved by Board in Feb 2017 Contract for elevator upgrade has been issued to Kone and work is currently being scheduled. Upgrade of HQ Fire Alarm System has been cancelled and more focus on O&M projects for Buildings and Land. Purchase of Weyco Included. (Morgenstern)**
General Plant - Electric& Water Fleet Capital	$610,000	**$150,000**	$610,000		**Fleet recently rolled back in April True up - due to changes in strategy of fleet. ($500,000 for Electric, $110,000 for Water) (Taylor)**

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

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

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

Type 2 Rehabilitation & Expansion Projects

Project	2017 - Q1 Budget	YTD Actual	Year-End Projection	Project Total Initial Plan	To-Date Actual	Project-End Projection	Schedule Start	Initial Planned Completion	Projected Completion	Status/Comments	
AMI Information Technology & Integration	$1,930,000	**$225,357**	$1,930,000	$6,475,700	**$3,283,044**	$6,475,700	May-2015	Dec-2017	May-2018		**Budget $ shifted from 2016 to 2017 . Capital portion of AMI project is expected to close out mid-2017, approx. 9 months ahead of initial projected end date. Total capital spending is anticipated to be at/near initial target of $6.5m. Project shifting to operations for implementation. (Damewood/Armstead)**
Customer Information System (CIS) Replacement	$1,500,000	**$0**	$1,080,000	$9.7M	**$0**	$9.7M	Sep-2016	Aug-2018	mid to late-2019		**Conditional Intent to Award letter sent to selected vendor. Contract negotiations expected to begin in Q2 and conclude in Q3. (Barton)**

Total Shared Services Capital (This Report) **$7,347,000** **$795,196** **$6,024,000** **81.99%**

Note(s) 1) April 2017 true-up budget numbers are reflected as Budget, as approved by Board on April 4, 2017.

Management Notes: Type I IT Projects are on track and on schedule. This is good news since in the past these projects have lagged for various reasons. As per the April True Up, Fleet Capital was reduced significantly due to a re-assessment of future fleet needs and strategy. AMI is progressing forward in current Opt In Strategy. Projected spending is in the 82% range for end of year, largely driven by the cancelation of HQ Fire Alarm System Upgrade and the shift to O&M from Capital by Facilities.

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

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: Electric Utility First Quarter 2017 Financial Report

OBJECTIVE: Information Only

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

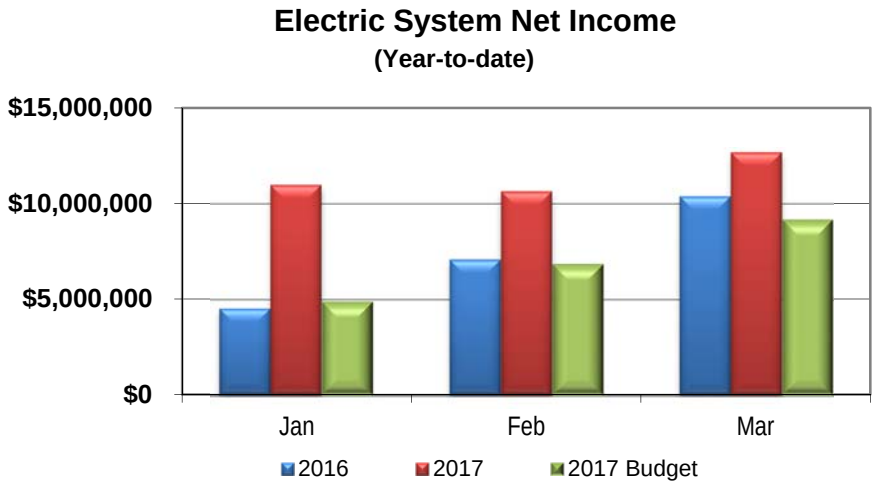
Income before capital contributions (Net Income)

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.



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

	Prior Year Comparison		YTD Budget Comparison			
	2017	2016	Annual Working Budget	Budget $	Budget %	Budget Variance
Residential	$ 33,848,518	$ 28,711,140	$ 101,465,141	$ 31,708,000 [1]	107%	$ 2,141,000
Commercial and industrial	25,390,192	24,803,195	101,684,339	25,472,000 [1]	100%	(82,000)
Sale for resale and other	12,241,232	11,014,902	33,670,893	8,725,000 [1]	140%	3,516,000
Operating revenues	71,479,942	64,529,237	236,820,373	65,905,000	108%	5,575,000
Purchased power	30,287,327	28,598,486	112,087,636	28,246,000 [2]	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	58,505,358	54,052,357	223,621,051	56,128,000	104%	(2,376,000)
Net Operating Income	12,974,584	10,476,880	13,199,322	9,777,000	133%	3,199,000
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	1,639,895	2,634,904	6,091,033	1,522,000	108%	117,000
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	1,939,135	2,728,294	8,544,702	2,136,000	91%	197,000
Income before capital contributions	12,675,344	10,383,490	10,745,653	9,163,000	138%	3,512,000
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	$ 15,695,336	$ 12,743,679	$ 15,622,653	$ 10,382,000	151%	$ 5,313,000

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

	2017	2016	December 2016
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	330,042,734	347,942,364	338,049,430
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	349,782,750	363,768,673	350,366,102
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
Prepaids	6,566,250	6,793,218	7,483,244
Total current assets	216,571,408	220,438,650	153,169,755
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	116,593,485	120,313,420	176,234,939
Deferred Outflows			
Deferred outflows of resources	57,468,069	8,800,891	57,024,020
Total Assets and Deferred Outflows	$ 740,415,712	$ 713,321,634	$ 736,794,816
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	32,924,094	36,564,634	45,080,230
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	330,219,319	316,387,543	342,180,277
Deferred Inflows			
Deferred Inflows of resources	7,180,440	11,792,631	7,293,921
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	403,015,953	385,141,460	387,320,618
Total Liabilities, Deferred Inflows, and Net Position	$ 740,415,712	$ 713,321,634	$ 736,794,816

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

	Current Month	Year to Date	Annual Working Budget w/Amendment	% of Budget
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	1,334,921	2,381,495	15,625,000	15.2%
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	1,056,802	894,747	7,152,000	12.5%
Type 3 Capital				
Carmen-Smith Relicensing	383,998	753,664	12,960,000	5.8%
Total Type 3 Capital	383,998	753,664	12,960,000	5.8%
Total Capital before CIA	2,890,111	4,486,966	35,737,000	12.6%
Contributions in aid	(115,427)	(2,173,065)	(4,877,000)	44.6%
Grand Total	$ 2,774,684	2,313,901	$ 30,860,000	7.5%

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

	YTD 2017	Status	December 2016	Performance Standard
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.

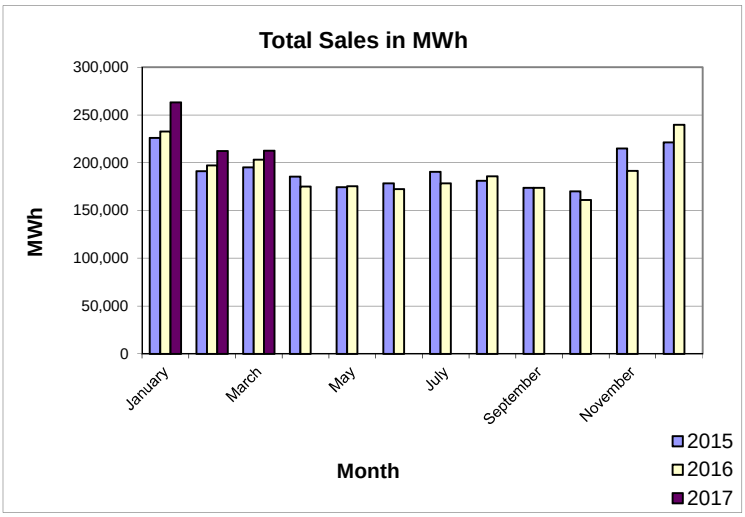
Days Unrestricted Cash
Ratio of total unrestricted cash and cash equivalents to average daily cash requirements for operating expenses (defined as yearly budgeted operating expenses net of depreciation divided by 365 days in the year). This figure measures the length of time the utility can carry on 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

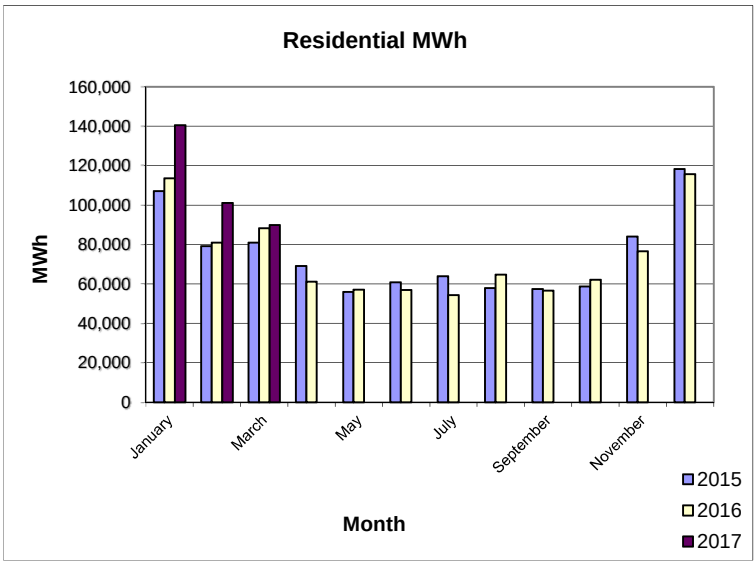
Total Electric Utility Sales in MWh

	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	2,304,326	2,288,057	688,578



Residential Sales in MWh

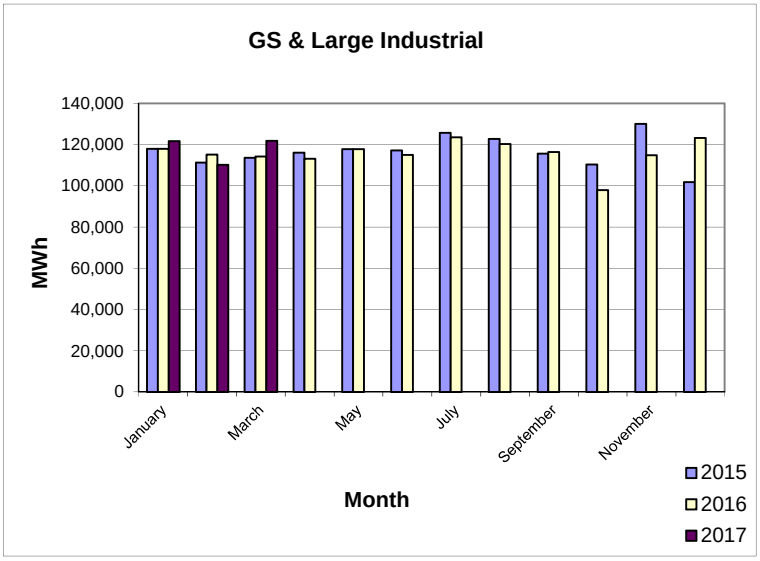
	2015	2016	2017
January	107,136	113,589	140,471
February	79,168	80,958	101,102
March	81,006	88,256	89,865
	267,310	282,803	331,439
April	69,023	61,190	0
May	55,898	57,055	0
June	60,721	56,918	0
	185,642	175,163	0
July	63,866	54,329	0
August	57,890	64,718	0
September	57,313	56,523	0
	179,069	175,570	0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



Electric Utility Sales in MWh
March 2017

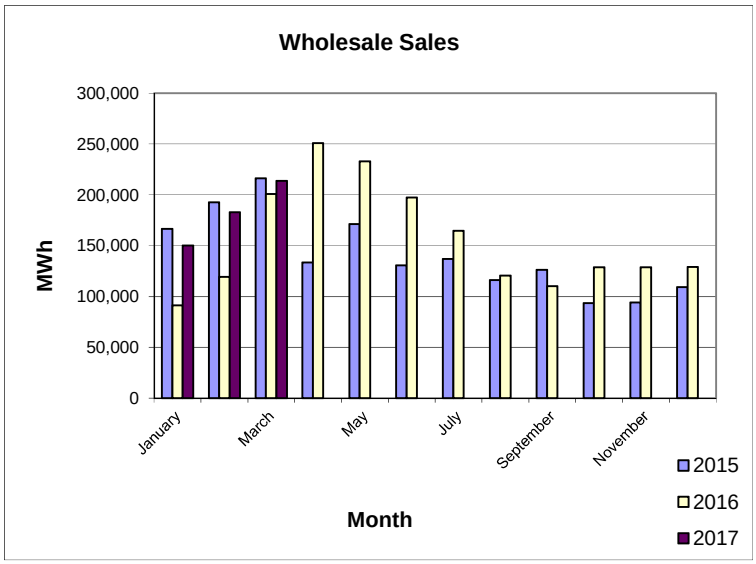
General Service & Large Industrial Sales in MWh

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



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
	575,755	411,438	546,895
April	133,635	251,173	0
May	171,384	233,001	0
June	130,835	197,619	0
	435,854	681,793	0
July	136,993	164,635	0
August	116,194	120,758	0
September	126,384	110,175	0
	379,571	395,568	0
October	93,491	128,793	0
November	94,117	128,802	0
December	109,166	129,274	0
	296,774	386,869	0
Total	1,687,954	1,875,668	546,895



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: Water Utility First Quarter 2017 Financial Report

OBJECTIVE: Information Only

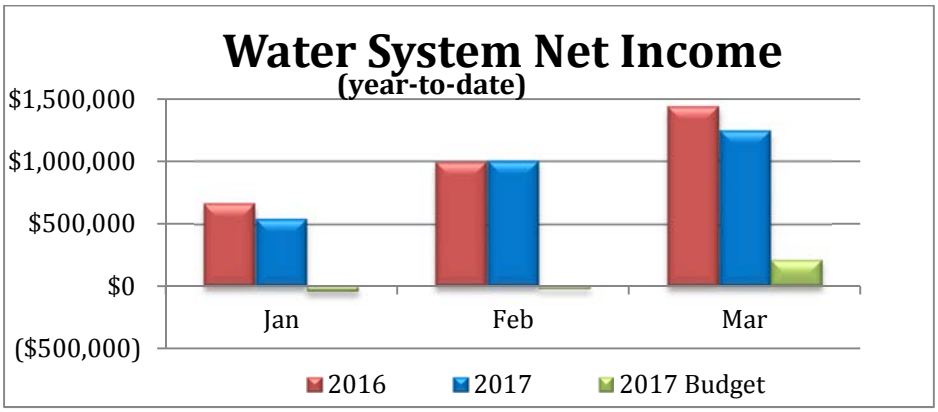
Schedule of Revenues, Expenses, and Changes in Net Position (Income Statement)–Page 3

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			
	Actual 2017	Actual 2016	Annual Working Budget	Budget $	Budget %	Budget Variance to Actual
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			
Capital assets			
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
Current assets			
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
Non-current assets			
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			
Current liabilities			
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
Non-current liabilities			
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

	Current Month	Year-to-Date	Annual Working Budget	% of Budget
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	789,783	1,856,467	9,604,002	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	81,565	(1,856)	5,580,000	0.0%
Type 3 Capital				
Source Of Supply	70,018	128,257	530,000	24.2%
Total Type 3 Capital	70,018	128,257	530,000	24.2%
Total Capital before CIA	971,572	2,070,587	15,714,002	13.2%
Contributions in aid	(193,190)	(346,736)	(1,133,000)	30.6%
Grand Total	$ 778,382	$ 1,723,851	$ 14,581,002	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

	YTD 2017	Status	December 2016	PERFORMANCE STANDARD
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.

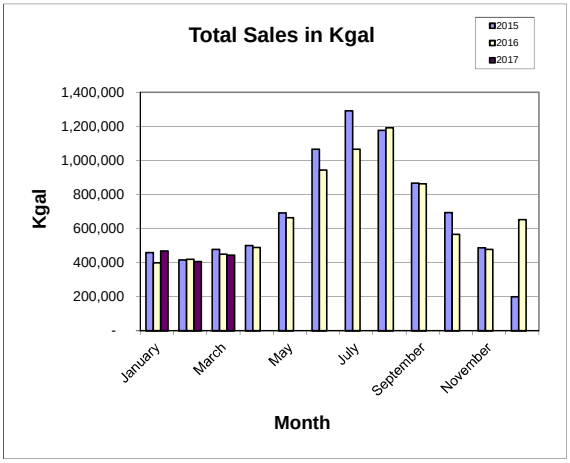
Days Unrestricted Cash
Ratio of total unrestricted cash and cash equivalents to average daily cash requirements for operating expenses (defined as yearly budgeted operating expenses net of depreciation divided by 365 days in the year). This figure measures the length of time the utility can carry on 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

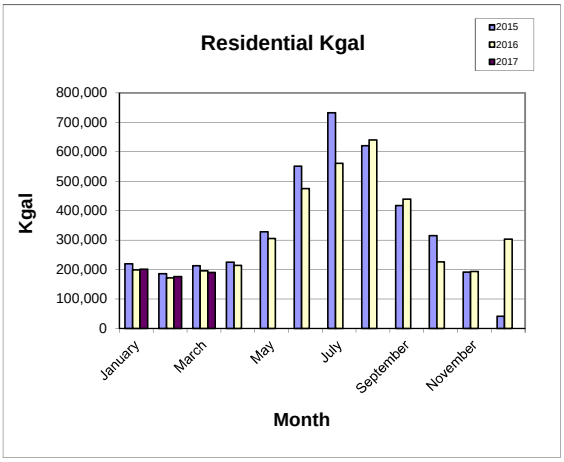
Total Water Sales in Kgal

	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



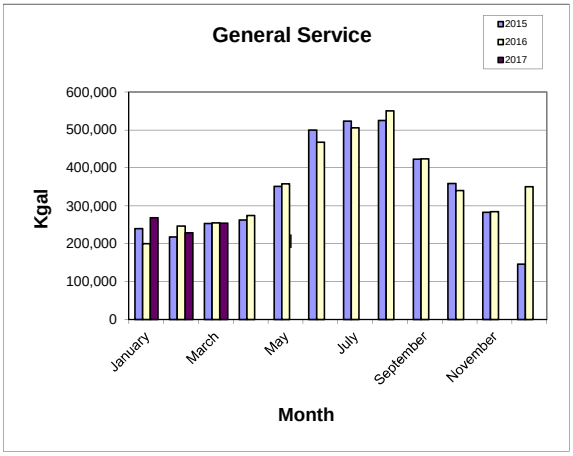
Residential Sales in Kgal

	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



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO:	Commissioners Helgeson, Brown, Mital, Simpson, and Carlson
FROM:	Sue Fahey, Chief Financial Officer; Sarah Gorsegner, Purchasing & Warehouse Supervisor
DATE:	April 24, 2017
SUBJECT:	Quarterly Contract Report for Q1 2017
OBJECTIVE:	Information Only

Issue

The Board requested that management provide a quarterly report of awarded contracts above $20,000 that are not approved on the consent calendar.

Background

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

Current approval thresholds are at the formal solicitation threshold levels:

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

Discussion

Attached is the contract report for the first quarter of 2017.

Recommendation/Requested Board Action
None at this time. This information is provided for informational purposes only.

Contract Execution Date	Contractor	City, State	Description	Contract Amount	Contract Term	Contract Process	ET Manager
1/6/2017	Peterson Structural Engineers	Eugene, OR	Carmen Smith & Trail Intake Gate Dogging System Improvements	$ 59,600	3/3/2017	Direct-QBS	Mel Damewood
1/12/2017	Northwest Hazmat Inc	Springfield, OR	Hazardous Material Cleanup Services	$ 150,000	12/20/2021	*Informal Quotes at time of Emergency Declaration	Mel Damewood
1/26/2017	MWH	Portland, OR	Willamette River Raw Water Intake and Pump Station Prelim Design	$ 85,000	4/21/2017	Direct- QBS	Mel Damewood
2/6/2017	R2 Resource Consultants	Redmond, WA	Permitting Activties at Leaburg Walterville	$ 67,159	2/1/2019	Direct-QBS	Mel Damewood
2/8/2017	Peterson Structural Engineers	Portland, OR	Hayden Bridge Headhouse Seismic Upgrades Design	$ 49,860	12/22/2017	Direct-QBS	Mel Damewood
2/15/2017	LCOG	Eugene, OR	Water Systems Planning Technical Assistance Activities	$ 50,000	12/31/2022	Intergovernmental Agreement	Mel Damewood
2/22/2017	Belfor	Springfield, OR	Hazardous Material Cleanup Services	$ 150,000	2/21/2022	*Informal Quotes at time of Emergency Declaration	Mel Damewood
2/27/2017	On Electric Group	Springfield, OR	Carmen Smith Security Improvements	$ 51,307	5/3/2017	Informal Request for Proposal	Mel Damewood
3/7/2017	Findlay Engineering	Eugene, OR	Leaburg Safety Report	$ 60,100	10/31/2017	Direct Negotiation	Mel Damewood
3/14/2017	Oldham Crane Service	Eugene, OR	Carmen Smith Power Tunnel Crane/ Platform Service	$ 50,840	11/1/2017	Informal Request for Proposal	Mel Damewood
3/17/2017	USGS	Portland, OR	Source Water Protection Program	$ 76,420	12/31/2017	Intergovernmental Agreement	Mel Damewood
3/23/2017	Branch Engineering	Springfield, OR	Topographic Surveying and Drafting	$ 20,000	12/31/2018	Direct-QBS	Mel Damewood
3/24/2017	McKenzie Watershed Alliance	Eugene, OR	Matching EPA Grant to support schools involved with watershed monitoring projects	$ 37,000	12/31/2018	Memorandum of Understanding	Mel Damewood
3/30/2017	Cornforth Consulting	Portland, OR	Leaburg Landslide Monitoring-Inclinometer and Peizometer Readings	$ 86,000	6/30/2017	Direct Negotiation	Mel Damewood
3/30/2017	Cascade Health Solutions	Eugene, OR	Employee Assistance Program	$ 100,000	3/31/2022	Direct Negotiation, exempt under ORS 279A.025 ® Contracts for employee benefit plans	Lena Kostopulos

EWEB association for all above contracts = None

Qualification Based Selection (QBS) is required based on current statutes and EWEB Public Contracting Rules for consultants who provide architectural, engineering, land surveying, and related services. The selection process for contracts on this report requires selection from pre-qualified firms, contract values are based on negotiations and reviewed for appropriate effort and rate schedules.

*Prior to and during the Dec 2016 Storm EWEB had a requirement for Hazardous Material Cleanup Services. Staff requested rate schedules from 4 contractors with the intent to award contracts for work both during and after the storm event on an as needed basis.

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

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO:	Commissioners Helgeson, Brown, Mital, Simpson and Carlson
FROM:	Jeanine Parisi, Government Affairs Coordinator and Wallace McCullough, Water Engineering Supervisor
DATE:	April 13, 2017
SUBJECT:	Second Source Blue Ribbon Panel
OBJECTIVE:	Information Only

Background

A new intake and seismically sound water filtration plant on the Willamette River is EWEB's biggest investment in Water Reliability. Public awareness of the need for a second source of drinking water is steadily gaining ground, and community education about the project specifics is well-underway. To supplement these broad outreach efforts, EWEB solicited input from a team of community stakeholders and subject matter experts about critical components of the project to complement engineering expertise.

Discussion

EWEB asked nine people for their independent feedback and perspectives on the preliminary design recommendations and to offer their advice on how best to move this project forward. Panel members were selected based on their professional background in important facets of this project, including emergency preparedness and response, water quality monitoring, watershed protection, infrastructure planning and facility operations. Members were:

- Kevin Batridge, Lake Oswego Tigard Water Treatment Plant, Assistant Plant Manager
- Josh Bruce, UO/Oregon Partnership for Disaster Resilience, Director
- Amanda Gilbert, Coast Fork Watershed Council, Executive Director
- Johan Hogervorst, Willamette National Forest, Lead Hydrologist
- Gregory Nieckarz, Seavey Loop Property Owner
- Sarah Puls, Lane County Public Health Drinking Water Program
- Dr. Stewart Rounds, United States Geological Survey, Lead Hydrologist
- Eric Wold, Willamalane Parks & Recreation District, Assistant Superintendent
- Joe Zaludek, Eugene-Springfield Fire Chief

The panel met three times to learn more about the project (siting decisions, water treatment regime, operational plan, resiliency features, etc.) and participated in a site tour. Notes were taken and feedback compiled for panel review. The panelists affirmed the general design and project direction,

and offered valuable insights to consider as we move forward. Attached is a summary of the panelists' observations and recommendations.

We have recently received a letter of support for the Second Source project from Oregon Resiliency Officer Michael Harryman, also attached.

Recommendation and Action

This is an information item only, no action required. If you have any questions or wish to make comments on the information please contact Jeannine Parisi at 541-685-7451 or email at jeannine.parisi@eweb.org.

Attachments:

Blue Ribbon Panel Findings & Recommendations
EWEB – Letter of Support from Michael Harryman, Oregon State Resiliency Officer

Blue Ribbon Panel FINDINGS & RECOMMENDATIONS

Facility Siting and Design Findings

Overall, EWEB has a solid, well thought out plan for the new Willamette River water source and filtration plant. The planned location and siting for the facilities appears to optimize water quality, resiliency, operational logistics and practical connectivity to the transmission and distribution system. A modular design and phased build out should allow the utility to accommodate potential growth without overcommitting initial investments.

Recommendations:

- Take into account the potential for future partnerships with other water utilities throughout the design process to leave open the opportunities for further regional benefits.
- Design the new plant to be scalable, with sufficient space and infrastructure to expand.
- Investigate filtration plant design for peer utilities – regional, national, international – particularly in earthquake prone areas.
- Consider the effects on river recreation in the design of the new water intake. Create an amenity – not an attractive nuisance or eyesore.

Operations Findings

EWEB is designing the facilities with resiliency in mind. The additional investments in resilient features will help ensure the plant is operational after a disaster and can serve as a regional asset in a worst-case scenario.

Recommendations:

- High quality drinking water requires not just a good source and good treatment process. Attentive and well-trained operators are just as important to ensuring delivery of great water every day.
- Consider the optimal balance between operating the Hayden Bridge and Willamette plants, based on cost-effectiveness.
- Identify operational protocols for the new plant that produce cost savings, balancing efficiency and dependability.
- Install control systems for the new plant that are similar to Hayden Bridge, or vice versa, to ease the transition for operators.

Water Quality Findings

EWEB has collected a lot of water quality data in this reach of the Willamette River. Overall, it is fair to say it is a reliable and high quality source for our community and can meet EWEB's goals of providing the same or better quality water compared to Hayden Bridge. Threats to raw-water quality exists, but the technology EWEB plans to utilize is designed to address identified threats. EWEB is nationally recognized for putting innovative programs in place to monitor for, manage and reduce upstream threats, and it would be a good idea to extend these efforts to include the Willamette River source.

Recommendations:

- Continue monitoring water quality of the Willamette River, particularly in the Coast Fork.
- EWEB is seen as a leader in source protection and should continue to develop partnerships for water quality protection and collaboration opportunities as it moves into the Upper Willamette River watershed.
- Ozone treatment represents a best practice and should be included in the new plant's treatment regime to ensure consistent taste and odor, which will enhance public acceptance of the new source. Ozone treatment is best suited to deliver the best water quality even when faced with identified threats.
- Testing for toxic algae should be included in EWEB's monitoring plan.
- Survey business customers' needs for particular water quality/chemistry; for example, food and beverage producers, high-tech manufacturing and medical facilities.
- Work with communities that are located up-stream (Cottage Grove, Creswell, Oakridge) on risk mitigation measures such as current and future wastewater capital improvement plans.

Permitting Findings

EWEB should anticipate project permitting may take longer than expected.

Recommendations:

- Use land use consultants with local permitting knowledge to help ensure success.
- Familiarize regulatory staff with the site and project well in advance.
- For the land use permitting process, be upfront, transparent and start conversations early with any impacted neighborhoods.
- Reach out to regional advocates—key customers, emergency managers, public health professionals and others—to help tell EWEB's story.
- Even if there are permitting complications, keep this important infrastructure project moving forward.

Distribution Findings

The distribution system needs to be as resilient as the water treatment plant after an emergency.

Recommendations:

- Pipeline connections should ensure switching from one source to another is as seamless as possible.
- Invest in the Knickerbocker Bridge ASAP to improve seismic reliability.
- Work with SUB and Rainbow WD to improve regional system interconnectivity. This includes improving existing interties with SUB/Rainbow to increase service flexibility and capacity in both directions. Also includes exploring additional interties if needed/prudent.
- Consider other opportunities to improve resilience including the ability to move raw water to different treatment plants.

Resiliency Findings

EWEB's new water supply represents a huge step in improving the community's redundancy and resilience. Having sources from different watersheds allows for operational flexibility and could be a huge advantage for fire-fighting. Enabling increased production capacity under emerging conditions in order to meet the community's minimum water needs is a smart choice so there is potable water available in an emergency.

Recommendations:

- Ensure there are alternate sources for critical treatment supplies and fuel to operate the new plant in an emergency. Partnerships for fuel storage should be explored.
- Further investments in the new plant (more treatment capacity or resiliency features) should be balanced against other water system resiliency priorities, such as fortifying transmission lines.
- Exploring potential partnerships with other water suppliers could further diversify EWEB's water supply and support resilience efforts.
- Embrace EWEB role as a local resilience leader and engage multiple government entities (utilities, municipalities, etc.) to promote a broad vision of lifeline infrastructure resilience in the region.

Communications Findings

This is a "teachable moment". It's important to continue communicating with customers and other stakeholders about the importance of resilience and the project's critical role.

Recommendations

- Use interpretive displays and/or a video to educate the public about reliability and resilience features of the new plant – these are value added investments.
- Communicate with other local jurisdictions and area water suppliers about EWEB's reliability plans and progress – start the regional conversations now.
- Use the Cascadia recurrence level (the chances of a quake hitting the central Oregon region in the next 50 years is between 15 and 20 percent) when communicating seismic resilience investment decisions to the public for consistency with partners' messaging.
- Reach out early to permitting agency staff so they are aware of the project's purpose/intent, can tour the site, and start those conversations before the applications are submitted.
- Make sure customers whose water will include a mix of McKenzie and Willamette River water are informed of that change. Consider a notification process if the new plant is operating in emergency mode with capacity above normal operations.
- Find ways to share the message: EWEB is an industry leader in watershed protection and treatment plant operations.

KATE BROWN
GOVERNOR

April 10, 2017

Eugene Water & Electric Board
4200 Roosevelt Blvd.
Eugene, OR 97402

Dear Members:

As the Oregon State Resiliency Officer, I am responsible for directing, implementing and coordinating seismic safety and resiliency goal setting within the Executive branch of state government. The prospect of recovery from a Cascadia Subduction Zone earthquake is daunting, and my job is to support and coordinate various efforts across the state so together, we are more resilient. The Eugene Water & Electric Board's effort to diversify its water supply and fortify the region's drinking water infrastructure is commendable.

Eugene is the largest city in the Pacific Northwest that relies on a single source of water. With just a few days of storage in area reservoirs, having a single source of drinking water presents a significant risk to public health, safety and our economy in the event of a major natural or human-caused disaster. Securing a second source of water, with a new filtration plant built to modern seismic standards, is a model project that supports compliance with the Oregon Resilience Plan.

Having access to potable water for public safety needs and basic human health is essential for a community to withstand and quickly recover from a disaster. However, resiliency investments are not always easy to justify against other pressing infrastructure needs. EWEB's efforts to deliver this critical project in a timely and efficient manner deserves recognition and broad support.

I am personally gratified to see this project moving forward and encourage others in policy-making roles to lend their support through the planning and permitting process. Please do not hesitate to contact our office if we can be of any assistance.

Sincerely,

M. K Harryman

Mike Harryman

MH:slb

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