



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



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

FROM: Sue Fahey, Chief Financial Officer; TiaMarie Harwood, Interim General
Accounting & Treasury Supervisor

DATE: October 18, 2017

SUBJECT: Third Quarter 2017 Financial Report

OBJECTIVE: Information Only

Organization Wide

<u>Electric Utility Budgets</u>		<u>Water Utility Budgets</u>	
Capital Budget Spend YTD	52%	Capital Budget Spend YTD	61%
O&M Budget Spend YTD	84%	O&M Budget Spend YTD	86%

Through the end of September, 75% of the annual budget year has passed. The Electric Utility is reporting a year-to-date unfavorable O&M budget variance primarily due to the \$15.7 million accounting loss on the June debt defeasance. Excluding the defeasance loss, the year-to-date spending would be 77%. The Water Utility is reporting a year-to-date unfavorable O&M budget variance due to payment on intercompany debt. Excluding the interest expense recognized with the debt payoff, the year-to-date spending would be 72%. A budget amendment will be submitted for Board approval later this year.

Labor

The organization budgeted \$1.3 million in turnover savings. Through September actual savings from vacancies is \$3.0 million or 230% of target. At the current trajectory the year end savings will exceed \$4 million. Savings are partially offset by early retirement (EVRI) and severance costs of approximately \$500,000. No potential costs from November EVRI/Severance have been included.

Non-Labor Operations & Maintenance Department Variance – Appendix A

Actual non-labor department spend to date is 70% compared to budget. The overall forecast is expected to be \$136,000 under budget by end of 2017. Unallocated contingency funds for the Electric Utility are \$2,448,000 and for the Water Utility, \$471,000.

Electric Utility

[Electric Schedule of Revenues, Expenses, and Changes in Net Position \(Income Statement\) – Appendix B, page 1](#)

Electric Income before capital contributions (Net Income)

Net income for the Electric Utility is \$6.5 million. The variance of Net Income to the Year-to-Date (YTD) seasonally shaped budget is favorable by \$2.1 million. This would be more but for the \$15.7 million accounting loss on defeasance of debt recorded in June. Excluding the defeasance loss, net income has a \$17.8 million favorable variance.

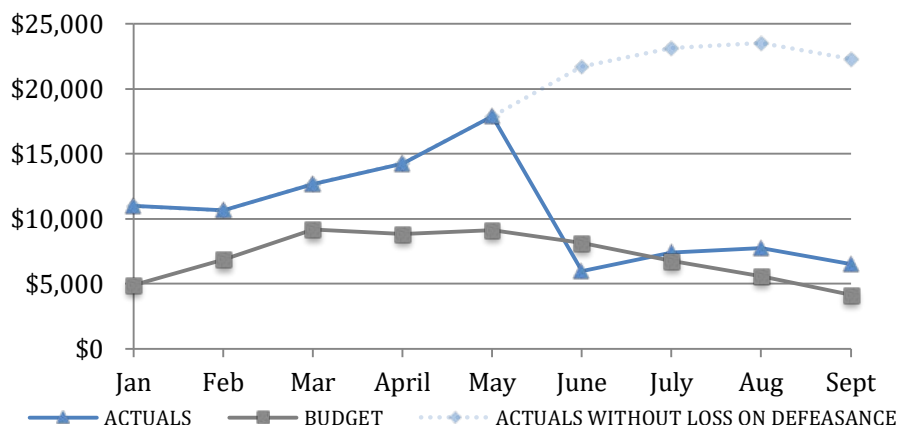
The variance detail compared to budget is as follows (unfavorable)/favorable:

	<u>Millions</u>
• Retail Revenue	\$ 3.9
• Wholesale and Other revenue	11.9
• Purchased Power	(2.7)
• Non-power Operating Expenses	1.9
• Other Non-operating revenues	2.2
• Other Non-operating expenses	(15.1)
	\$ 2.1

For comparability purposes, the budget has been modified to reflect seasonal fluctuations in revenue, purchased power and wheeling.

Electric System Net Income

2017 YTD (in thousands)



Electric Operating Revenues

The positive budget variance in **Residential** revenue is a result of colder than anticipated weather during the first quarter of the year.

Year-to-date, **Sales for resale and other income** has a favorable variance of \$11.9 million. Early 2017 stream flows were strong and hydro-generation exceeded expected volumes. In addition, a planned outage at Carmen-Smith was delayed until 2018, further contributing to the amounts available for sale in wholesale markets.

Electric Operating Expenses

Purchased Power has a \$2.7 million unfavorable variance due to portfolio balancing activities and is offset by favorable wholesale sales variance. **System Control** has a favorable variance of \$453,000 primarily related to labor savings in the power trading and pricing & portfolio management

departments. **Wheeling** has an unfavorable variance of \$696,000 due to additional BPA transmission costs associated with favorable hydro generation and unbudgeted amortization of prepaid Harvest Wind transmission. The variance of \$497,000 to budget in **Generation** is fuel savings as a result of EWEB electing not to take its share of IP generation when wholesale prices were low.

Administrative and general expenses include year-to-date budgeted contingency funds of \$1.9 million which mask an unfavorable variance. The primary drivers of this variance are \$762,000 of turnover savings and \$1 million of PERS savings which are realized in other expense categories, for example System Control.

Conservation expenses are favorable due to low spending year-to-date for energy management services.

Non-operating Revenues

Investment earnings have an unfavorable variance due to the mark-to-market adjustment on derivatives. This is a non-cash transaction and required by generally accepted accounting principles (GAAP). There is no budget for the change in the market value for these investments.

In June, the Water Utility repaid intercompany debt of \$11 million to the Electric Utility which resulted in a \$3 million favorable variance for **Interest Earnings, Water**.

Other Non-operating Expenses

The significant variance in **Other expenses** is caused by a \$15.7 million accounting loss on defeasance of debt. The Electric Utility used repayment proceeds from the Water Utility, along with other cash reserves to defease high interest debt. The loss is a result of the accounting treatment required when future debt principal and interest obligations are paid. The defeasance allowed the new master bond resolution to take effect and accordingly, this loss will not be included in the debt service coverage calculation. Since this loss was not anticipated in the 2017 budget, the Board will be requested to approve a budget amendment in December.

Interest expense and related amortization has an unfavorable variance to budget. At the time the 2017 budget was created, the new amortization schedules related to the 2016 electric bond refunding were not finalized.

Contributions in Aid of Construction (CIA)

CIA is significantly higher than year-to-date budget due to \$1.9 million of CIA collected in 2016 being recorded in 2017 when the capital work was performed as required by GAAP.

[Electric Statement of Net Position \(Balance Sheet\) - Appendix B, page 2](#)

Utility Plant in Service is only slightly higher than December 2016 due to a year-end reclassification required by GAAP. The reclassification moves construction work in progress to utility plant in service for work orders where the asset is substantially complete and the work order hasn't been closed. Accounting and Operations anticipate further increases as more work orders are closed in the fourth quarter.

Due from Water System decreased by \$8 million as a result of the \$11 million repayment mentioned in the **Non-operating Revenues** section.

Long Term Debt has had a net increase of \$9 million since the start of the year due to the defeasance of high interest bonds in June and issuance of new lower interest bonds in September.

Water Utility

Water Schedule of Revenues, Expenses, and Changes in Net Position (Income Statement) - Appendix C, page 1

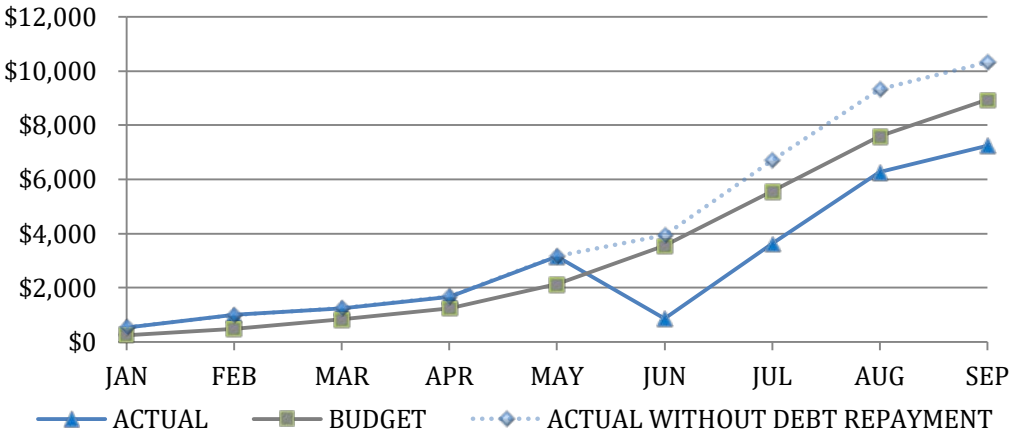
Water Income before capital contributions (Net Income)

Net income for the Water Utility as of September 30, 2017 is \$7.25 million and is unfavorable to the seasonally shaped budget by \$1.69 million primarily due to Water’s repayment of intercompany debt to the Electric Utility in June 2017. Ignoring the \$3 million recognized as interest expense, there would be a favorable \$1.3 million variance. The variance from budget breakdown is as follows (unfavorable)/favorable:

	Thousands
Retail Revenue	\$ 311
Wholesale and Other Revenue	216
Operating Expenses	504
Non-Operating Revenues	187
Non-Operating Expenses	(2,907)
	\$ (1,689)

The comparison of net income to annual budget before capital contributions in the chart below is seasonally shaped. Within the Water Utility, revenue and consumption peak in the summer. Construction and maintenance activities peak in the summer, as well, while production and delivery costs remain fairly constant throughout the year. The drop in June is attributable to the payment of intercompany debt mentioned above.

Water System Net Income
2017 YTD (in thousands)



Water Operating Revenues

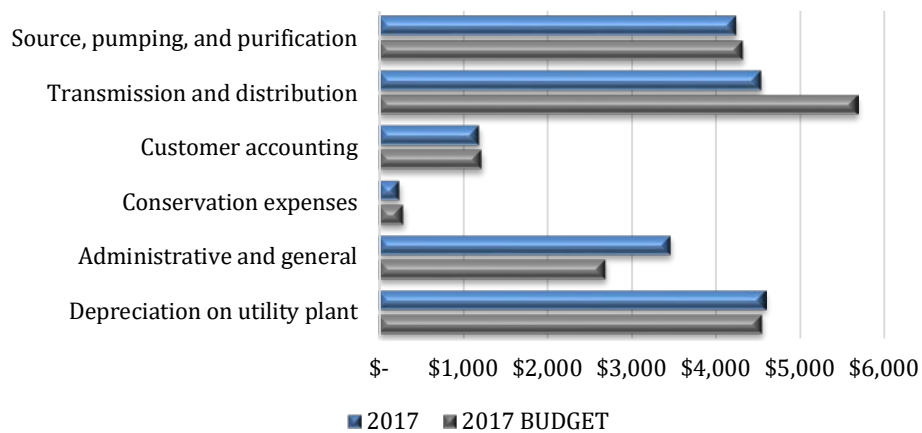
For purposes of analysis, the revenue budget has been modified to reflect seasonal fluctuations. **Residential and Commercial and industrial** sales to water customers are collectively in line with the YTD seasonally-shaped budget. **Sales for resale and other** includes sales to Water Districts, Willamette 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.

Water Operating Expenses

Operating expenses remain favorable and are 97% of the year-to-date budget. **Transmission and distribution** is below budget by \$1.15 million due in part to the inclusion of the Water Utility’s contingency funds, which have not yet been allocated for spending and year-to-date contribute \$353 thousand to the favorable budget variance. Labor activity also contributes \$559 thousand to this positive variance, which is driven by position vacancies. **Administration and general** expenses are over budget by \$773 thousand. Budgeted amounts for turnover (\$191 thousand) and PERS savings (\$279 thousand) are driving this variance. Turnover savings have been realized primarily in the Transmission and distribution category.

Water System Operating Expenses
2017 YTD (in thousands)



Water **Contributed plant assets** include \$755 thousand contributed for five completed subdivisions. **System Development Charges** stem from construction activity and are corollary to contributed assets and contributions in aid.

[Water Statement of Net Position \(Balance Sheet\) - Appendix C, page 2](#)

The Water Utility transferred \$11 million to the Electric Utility in June as payment on intercompany debt. **Amounts Due to Electric** decreased \$8 million on the balance sheet and \$3 million is recognized as **Interest Expense, Electric** on the income statement.

EWEB Looking forward

For the 2018 budget, the organization has identified approximately \$11.5 million in ongoing savings. Labor savings is expected to be \$5.8 million overall. Additional savings include \$3.8 million in combined debt service due to debt defeasance, \$1 million reduction in Electric contingency, and \$900,000 in additional O&M savings. These savings are expected to be offset by upticks including, CPI increase assumptions, promotions, new borrowing and other increases yielding a net savings of \$6.0 million. Budget continues to work with management and staff to look for efficiencies and cost savings.

Non-Labor Operations & Maintenance Departments

2017 September Budget Monitoring Summary - Excluding LABOR, Revenue, Reimbursement, CIA & Pwr Cost (USD 000)

Division	2017 Working Budget	2017 SEPT. Actuals	% of Actual to Budget	2017 YTD Variance to Straight Line Budget**	Reported Variance for SEPT. 2017 (over)/under	2017 YE Projection	
Customer Service	215, 144, 242, 243, 932, 933, 934, 975, 992	7,055,000	4,177,000	59.2%	1,115,000 ¹	- ¹	7,055,000
Electric	320, 530, 260, 321, 324, 325, 326, 328, 329, 350, 384, 911	9,988,000	7,245,000	72.5%	246,000 ²	(183,000) ²	10,171,000
Energy	146, 220, 250, 332, 333, 340, 341, 620	8,979,000	6,176,000	68.8%	559,000 ³	501,000 ³	8,478,000
Finance	150, 230, 915, 940, 950, 951, 990	2,454,000	1,765,000	71.9%	76,000	40,000	2,415,000
General Manager	110	181,000	79,000	43.6%	57,000	47,000	134,000
Human Resources	142	916,000	721,000	78.7%	(34,000)	-	916,000
Information Services	129, 130, 132, 134, 135, 570, 931	3,389,000	3,163,000	93.3%	(622,000) ⁴	(432,000) ⁴	3,821,000
Water	300, 369, 371, 372, 375, 376, 377, 378, 381	6,305,000	4,091,000	64.9%	638,000 ⁵	163,000 ⁵	6,142,000
Grand Total		39,267,000	27,417,000	70%	2,035,000	136,000	39,132,000

*Excludes purchase power cost for comparability for Dept 220 under Electric & Generation

** YTD Variance to Budget is the difference between 75% (Average for SEPT.) of 2017 working budget and YTD actual results. Positive variance indicates the YTD expenditure is under and negative variance indicates over annual budget.

1. The favorable customer service variance is primarily driven by seasonality in both conservation incentives and low income assistance. Energy management anticipates increased conservation incentive spending in the fourth quarter and low income assistance increases in the winter months.
2. Electric is forecasting an unfavorable variance attributed to the cleanup and repair efforts from the December 2016 and first quarter 2017 storm activity. This is offset by savings in Facilities related to changes in planned maintenance.
3. Energy has a large favorable variance. The variance is largely due to MGP work that has been deferred to 2018. MGP work is partially reimbursed. Excluding the deferred MGP work, Energy has a negative variance driven primarily by Leaburg Rollgate litigation.
4. Information Services has an unfavorable variance to budget that is partially due to timing factors with annual licensing and maintenance agreement expenditures, which are expected to track back to budget by end of year for these unamortized renewals. The end of year anticipated unfavorable variance is due to emergent expenses related to Emergency SAN Replacement, DVMS (Video recording), and Logging & Event Management Replacement additional Oracle expense, contract labor, and O&M project services and training. Information Services anticipates any remaining unfavorable variance in non-labor will be offset from favorable variances in labor.
5. Water Operations has a large favorable variance to budget, which is, in part, related to the move of budget from Facilities (dept. 384) to the new department for Source Protection (dept. 378). After backing out this amount, Water Operations expect to have a favorable variance of \$163,000 due to reduced pump maintenance costs and lower residential ATA program costs.

Eugene Water & Electric Board
Electric Utility
Schedule of Revenues, Expenses, and Changes in Net Position
for the nine months ended September 30, 2017

	Prior Year Comparison		Annual Working Budget	YTD Budget Comparison		
	9/30/2017	9/30/2016		Budget \$	Budget %	Budget Variance
Residential	\$ 75,345,372	\$ 67,442,414	\$ 101,465,141	\$ 72,527,000	¹ 104%	\$ 2,818,000
Commercial and industrial	77,040,315	74,892,813	101,684,339	75,918,000	¹ 101%	1,122,000
Sale for resale and other	37,709,687	39,955,977	33,670,894	25,767,000	¹ 146%	11,943,000
Operating revenues	190,095,374	182,291,204	236,820,374	174,212,000	109%	15,883,000
Purchased power	87,303,205	88,900,470	112,087,636	84,581,000	² 103%	(2,722,000)
System control	3,672,336	4,417,306	5,499,497	4,125,000	89%	453,000
Wheeling	10,517,883	9,260,453	13,429,919	9,822,000	¹ 107%	(696,000)
Generation	8,395,359	8,660,124	11,855,489	8,892,000	94%	497,000
Transmission and distribution	16,116,525	15,122,986	22,223,975	16,668,000	97%	551,000
Customer accounting	6,245,083	5,817,286	8,087,026	6,065,000	103%	(180,000)
Conservation expenses	2,747,876	3,113,688	4,970,472	3,728,000	74%	980,000
Administrative and general	17,117,318	15,805,281	22,947,555	17,211,000	99%	94,000
Depreciation on utility plant	16,707,154	18,043,035	22,519,483	16,890,000	99%	183,000
Operating expenses	168,822,739	169,140,629	223,621,052	167,982,000	101%	(840,000)
Net Operating Income	21,272,635	13,150,575	13,199,322	6,230,000	341%	15,043,000
Investment earnings	945,041	3,047,855	2,028,478	1,521,000	62%	(576,000)
Interest earnings, Water	3,461,171	796,457	737,405	553,000	626%	2,908,000
Other non-operating revenue	2,341,377	7,799,155	3,325,150	2,494,000	94%	(153,000)
Non-operating Revenues	6,747,589	11,643,467	6,091,033	4,568,000	148%	2,179,000
Other expenses	16,441,563	2,190,298	2,025,935	1,519,000	1082%	(14,923,000)
Interest expense and related amortization	5,046,998	7,619,474	6,518,766	4,889,000	103%	(158,000)
Other Non-operating Expenses	21,488,561	9,809,772	8,544,701	6,408,000	335%	(15,081,000)
Income before capital contributions	6,531,663	14,984,270	10,745,654	4,390,000	149%	2,142,000
Contributions in aid of construction	4,008,931	6,620,660	3,219,000	2,414,000	166%	1,595,000
Contributed plant assets	1,220,317	695,137	-	-		1,220,000
Increase in Net Position	\$ 11,760,911	\$ 22,300,067	\$ 13,964,654	\$ 6,804,000	173%	\$ 4,957,000

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 System
Statement of Net Position
September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>December 2016</u>
Assets			
Capital assets			
Utility plant in service	\$ 741,647,548	\$ 725,536,859	\$ 741,377,401
Less - Accumulated depreciation	(418,141,192)	(398,253,695)	(403,327,971)
Net utility plant in service	<u>323,506,356</u>	<u>327,283,164</u>	<u>338,049,430</u>
Property held for future use	827,449	827,449	827,449
Construction work in progress	27,691,552	19,739,348	11,489,223
Net utility plant	<u>352,025,357</u>	<u>347,849,961</u>	<u>350,366,102</u>
Current assets			
Cash and cash equivalents	11,011,836	3,220,008	6,423,227
Short-term investments	31,545,336	23,009,600	19,149,761
Restricted cash and investments	57,045,344	26,030,051	27,424,546
Designated cash and investments	92,773,343	112,384,297	52,930,042
Receivables, less allowances	27,392,465	26,604,239	35,212,662
Due from Water System	320,993	774,331	870,656
Materials and supplies, at average cost	4,566,949	3,694,277	3,675,617
Prepays	6,707,216	6,597,330	7,483,244
Total current assets	<u>231,363,482</u>	<u>202,314,133</u>	<u>153,169,755</u>
Non-current assets			
Long-term receivable, conservation and other	3,062,377	4,861,698	3,453,706
Due from Water System	8,868,355	16,784,045	16,612,001
Long-term investments	-	-	59,198,524
Investment in WGA	3,163,391	3,258,130	3,509,388
Investment in Harvest Wind	22,803,219	24,006,340	23,730,662
Nonutility Property	7,830,500	7,830,500	7,830,500
Other assets	51,808,930	63,142,261	61,900,158
Total non-current assets	<u>97,536,772</u>	<u>119,882,974</u>	<u>176,234,939</u>
Deferred Outflows			
Deferred outflows of resources	<u>54,498,283</u>	<u>17,082,812</u>	<u>57,024,020</u>
Total Assets and Deferred Outflows	<u>\$ 735,423,894</u>	<u>\$ 687,129,880</u>	<u>\$ 736,794,816</u>
Liabilities			
Current liabilities			
Payables	\$ 16,773,177	\$ 17,825,553	\$ 26,292,077
Accrued payroll and benefits	4,081,893	4,087,219	4,754,554
Accrued interest on long-term debt	1,118,409	1,222,483	2,868,599
Long-term debt due within one year	8,370,000	11,165,000	11,165,000
Total current liabilities	<u>30,343,479</u>	<u>34,300,255</u>	<u>45,080,230</u>
Non-current liabilities			
Long-term debt	212,177,801	200,644,622	200,279,317
Net pension liability	86,824,424	37,311,057	86,824,424
Other liabilities	2,123,931	9,960,982	9,996,306
Total liabilities	<u>331,469,635</u>	<u>282,216,916</u>	<u>342,180,277</u>
Deferred Inflows			
Deferred Inflows of resources	<u>4,872,730</u>	<u>10,215,116</u>	<u>7,293,921</u>
Net Position			
Net investment in capital assets	194,547,045	167,564,380	178,261,000
Restricted	8,336,459	9,692,937	13,282,845
Unrestricted	196,198,025	217,440,531	195,776,773
Total net position	<u>399,081,529</u>	<u>394,697,848</u>	<u>387,320,618</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 735,423,894</u>	<u>\$ 687,129,880</u>	<u>\$ 736,794,816</u>

Eugene Water & Electric Board
Electric Utility
Capital Budget Comparison
for the nine months ended September 30, 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	\$ 106,294	\$ 906,752	\$ -	0.0%
Network Protectors (Pre-capped) ¹	407,240	692,308	-	0.0%
Meters (Pre-capped) ¹	144,160.0	275,773	-	0.0%
Type 1 Capital				
2016-2017 ICS Events	(6,176)	83,024	-	0.0%
Buildings & Land	117,059	284,086	1,074,000	26.5%
¹ Distribution	454,473	5,393,454	6,915,000	78.0%
Electric Fleet	70,994	139,167	500,000	27.8%
Generation	110,341	795,603	1,196,000	66.5%
Information Technology	25,327	746,568	562,000	132.8%
Substation	235,036	984,891	1,780,000	55.3%
Telecom	15,628	150,112	250,000	60.0%
Transmission	18,242	235,245	150,000	156.8%
Total Type 1 Capital	<u>1,040,924</u>	<u>8,812,150</u>	<u>12,427,000</u>	<u>70.9%</u>
Type 2 Capital				
¹ AMI	7,873	1,731,862	1,650,000	105.0%
CIS Replacement	-	-	1,230,000	0.0%
Downtown Network	14,277	188,597	1,000,000	18.9%
Electric Master Plan	883	2,641	1,425,000	0.2%
Grid Edge Demonstration Project	-	-	837,000	0.0%
Holden Creek Substation	396,808	2,037,262	4,457,000	45.7%
Leaburg Dam Rollgates	950	57,810	-	0.0%
LTD West Side EMX	-	(5,101)	-	0.0%
Telecom Type 2 Projects	311	70,556	600,000	11.8%
Up River Re-configuration	-	-	-	0.0%
Total Type 2 Capital	<u>421,102</u>	<u>4,083,627</u>	<u>11,199,000</u>	<u>36.5%</u>
Type 3 Capital				
Carmen-Smith Re-license	438,975	3,835,554	11,700,000	32.8%
Total Type 3 Capital	<u>438,975</u>	<u>3,835,554</u>	<u>11,700,000</u>	<u>32.8%</u>
Total Capital before CIA	<u>2,558,695</u>	<u>18,606,164</u>	<u>35,326,000</u>	<u>52.7%</u>
Contribution in aid	<u>(68,949)</u>	<u>(4,008,931)</u>	<u>(3,219,000)</u>	<u>124.5%</u>
Grand Total	<u>\$ 2,489,746</u>	<u>14,597,233</u>	<u>\$ 32,107,000</u>	<u>45.5%</u>

¹ Meters, transformers and network protectors 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. This Capital Budget Comparison includes overhead applied at the sub-project level, rather than underlying capital work orders. Overhead is applied to underlying capital work orders once they have closed. The Electric Utility has spent \$35.3 million or 52.7% of the capital budget, compared to \$39.4 million or 43.2% in year to date 2016.

**Electric System
Financial Ratios
September 30, 2017**

	YTD 2017	Status	December 2016	Performance Standard
Current Ratio	7.62		4.71	3.250x
Debt as % of Net Book Value	68%		63%	≤ 60%
Debt Service Coverage - Annualized	3.60		1.64	1.75 to 2.0x
Age of System - Overall	56%		54%	< 60%
Distribution Plant			62%	
Electric Generating Plant			55%	
Days Unrestricted Cash	242		241	>150 days
Rate of Return - Annualized	9%		5%	Range 5-7%

Ratios

The current ratio remains well above Board targets due to balances in restricted and designated cash remaining classified as short term. Debt as a % of Net Book Value measures the overall leverage of system assets. As of 9/30/17, this metric is outside the performance standard due to the issuance of new debt in September. However, this metric should improve over time as the bond proceeds are spent on plant assets and annual principal payments are made. Debt coverage is higher than the 2017 budget due to the defeasance of debt in June. The debt service coverage ratio as of December 2016 was below the performance standard due to December storm costs and the Carmen-Smith write-off. As of December 2016, the age of the distribution plant system was outside the performance standard. Monitoring this metric is new and the detailed information presented for informational purposes will continue to be refined through discussions with management and engineering. Days Unrestricted Cash continues to remain well above the performance standard and may change after considering highest and best use of cash related to PERS in the fall. Favorable retail and wholesale sales variances continue to drive the rate of return higher than the expected range.

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. Long term investments are included in the calculation since they are highly marketable and could be liquidated if the need arose.

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. Long term investments are included in the calculation since they are highly marketable and could be liquidated if the need arose.

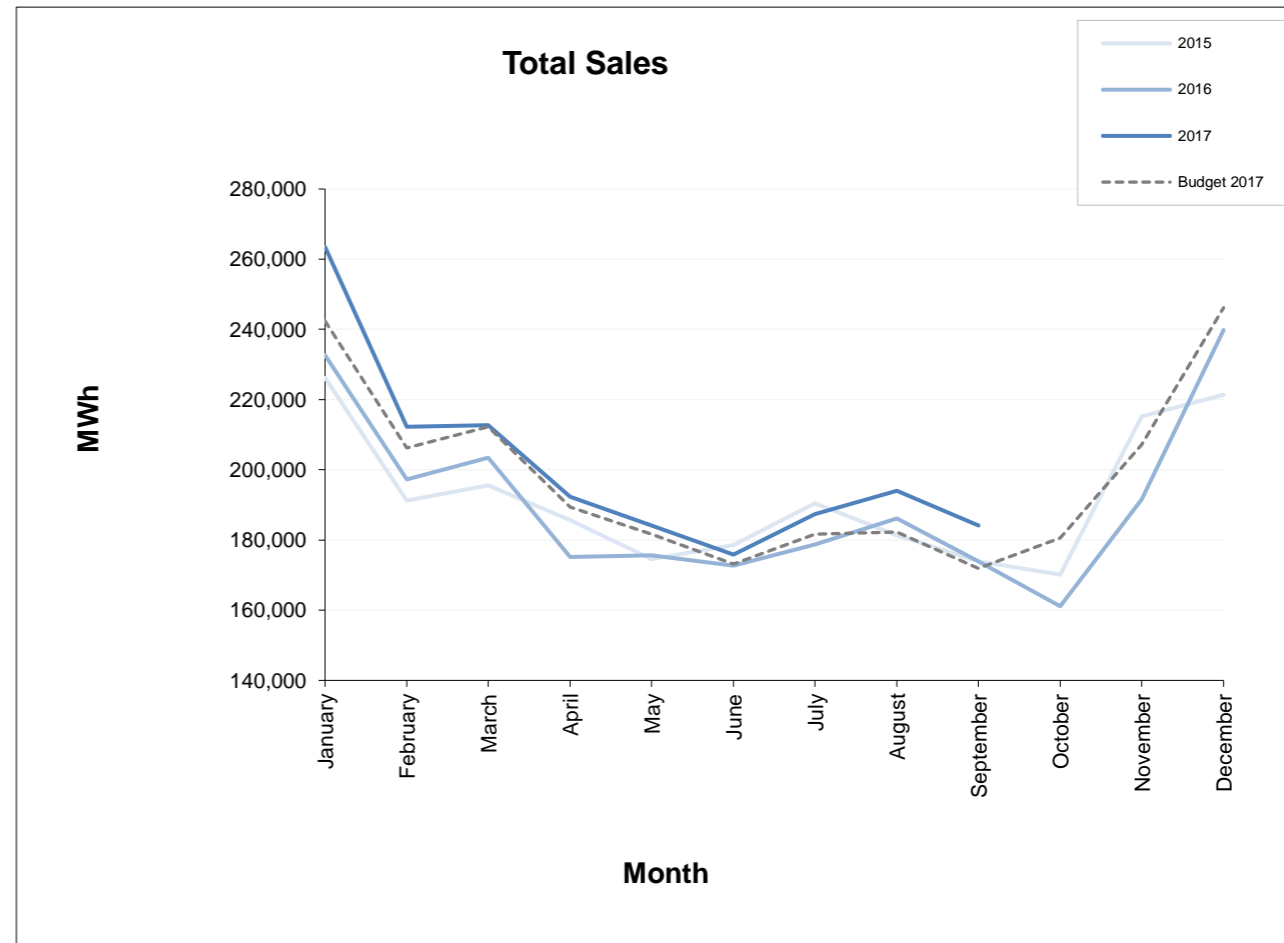
Rate of Return

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
September 2017**

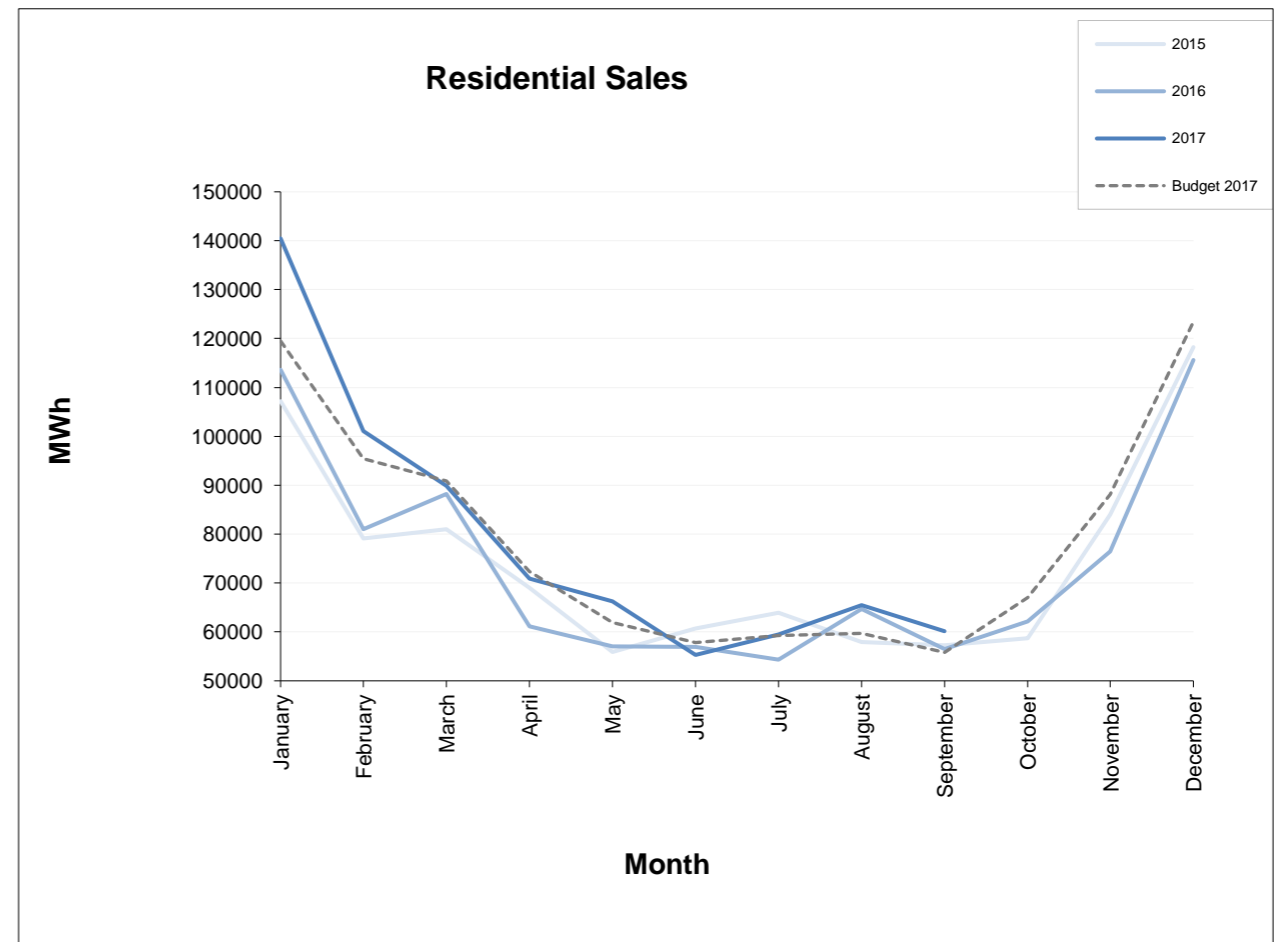
Total Electric Utility Sales in MWh

				Budget
	2015	2016	2017	2017
January	226,208	232,720	263,514	242,322
February	191,281	197,213	212,299	206,295
March	195,492	203,425	212,765	212,180
Q1 total	612,981	633,357	688,578	660,797
April	185,698	175,157	192,317	189,381
May	174,491	175,703	184,183	181,628
June	178,629	172,650	175,832	173,101
Q2 total	538,818	523,510	552,333	544,109
July	190,535	178,658	187,351	181,720
August	181,414	186,064	193,979	182,280
September	173,902	173,917	184,069	171,925
Q3 total	545,851	538,639	565,399	535,926
October	170,136	161,121	0	180,648
November	215,218	191,617	0	207,116
December	221,322	239,812	0	246,176
Q4 total	606,676	592,550	0	633,940
Annual total	<u>2,304,326</u>	<u>2,288,057</u>	<u>1,806,310</u>	<u>2,374,772</u>



Residential Sales in MWh

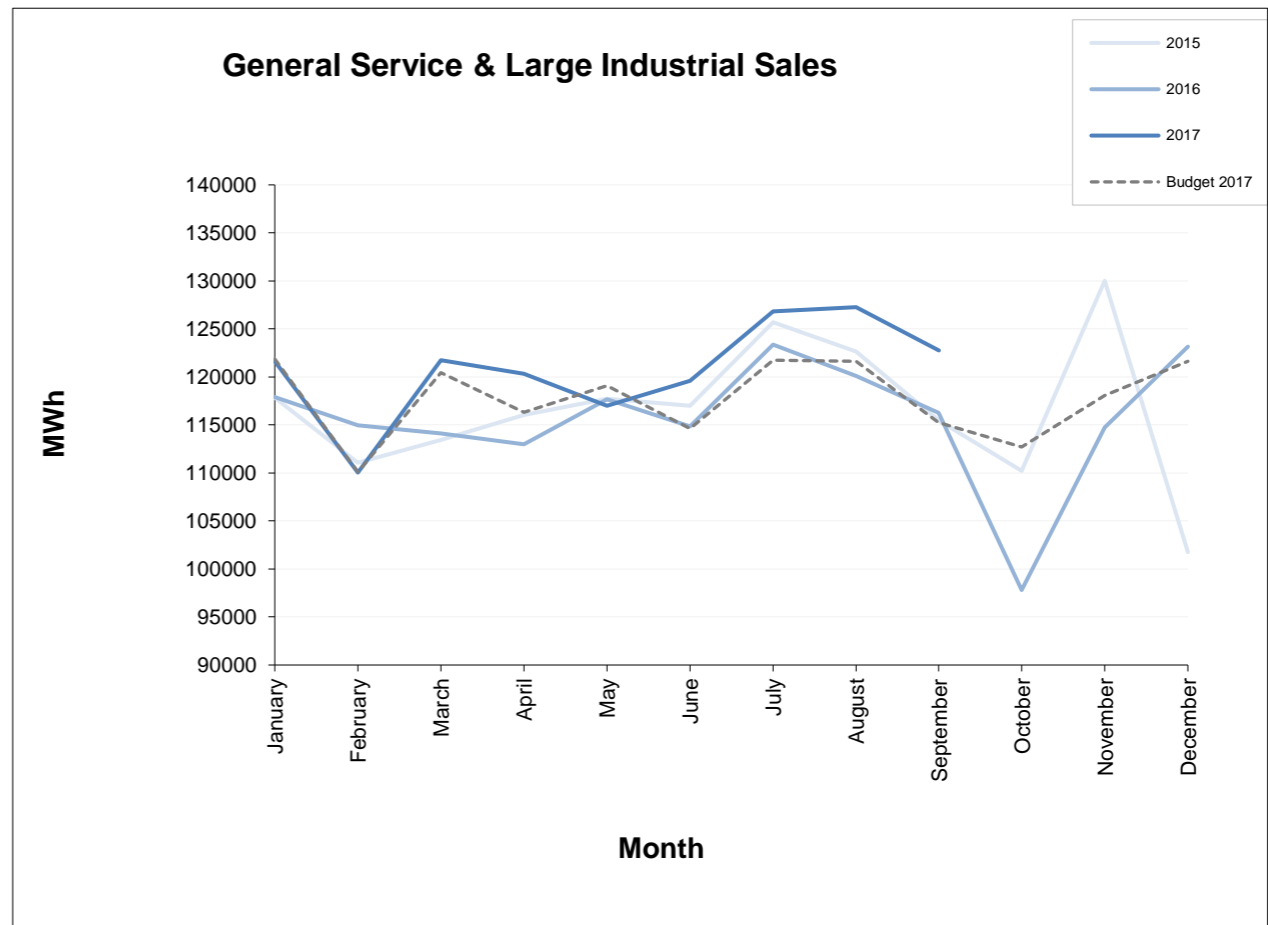
				Budget
	2015	2016	2017	2017
January	107,136	113,589	140,471	119,472
February	79,168	80,958	101,102	95,404
March	81,006	88,256	89,865	90,902
	267,310	282,803	331,439	305,778
April	69,023	61,190	70,920	72,327
May	55,898	57,055	66,270	61,890
June	60,721	56,918	55,295	57,821
	185,642	175,163	192,485	192,038
July	63,866	54,329	59,509	59,276
August	57,890	64,718	65,473	59,698
September	57,313	56,523	60,114	55,814
	179,069	175,570	185,096	174,788
October	58,717	62,095	0	66,986
November	84,028	76,508	0	88,101
December	118,236	115,600	0	123,416
	260,981	254,203	0	278,503
Total	<u>893,002</u>	<u>887,738</u>	<u>709,019</u>	<u>951,106</u>



**Electric Utility Sales in MWh
September 2017**

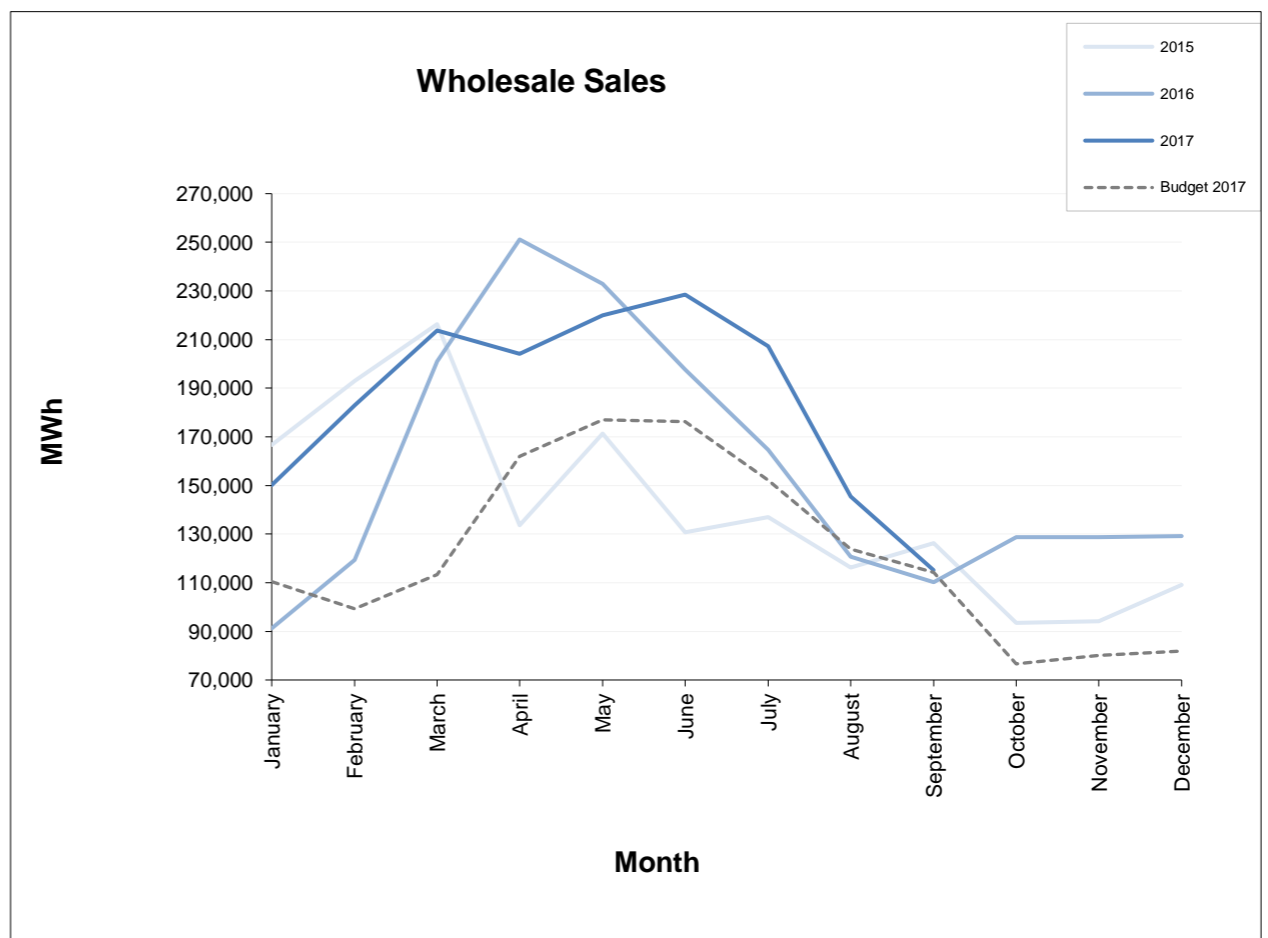
General Service & Large Industrial Sales in MWh

	2015	2016	2017	Budget 2017
January	117,866	117,905	121,636	121,863
February	111,091	114,969	110,038	110,094
March	113,463	114,088	121,755	120,455
	<u>342,420</u>	<u>346,962</u>	<u>353,429</u>	<u>352,412</u>
April	116,038	112,987	120,325	116,340
May	117,742	117,677	117,010	119,103
June	117,015	114,827	119,584	114,620
	<u>350,795</u>	<u>345,491</u>	<u>356,920</u>	<u>350,063</u>
July	125,672	123,364	126,813	121,718
August	122,673	120,117	127,265	121,652
September	115,459	116,236	122,786	115,245
	<u>363,804</u>	<u>359,717</u>	<u>376,863</u>	<u>358,615</u>
October	110,229	97,802	0	112,698
November	130,010	114,712	0	118,066
December	101,752	123,126	0	121,635
	<u>341,991</u>	<u>335,640</u>	<u>0</u>	<u>352,399</u>
Total	<u><u>1,399,010</u></u>	<u><u>1,387,810</u></u>	<u><u>1,087,212</u></u>	<u><u>1,413,489</u></u>



Total Wholesale Sales in MWh

	2015	2016	2017	Budget 2017
January	166,562	91,229	150,213	110,440
February	192,878	119,306	182,911	99,184
March	216,315	200,903	213,771	113,334
	<u>575,755</u>	<u>411,438</u>	<u>546,895</u>	<u>322,958</u>
April	133,635	251,173	204,220	161,920
May	171,384	233,001	219,982	176,984
June	130,835	197,619	228,488	176,320
	<u>435,854</u>	<u>681,793</u>	<u>652,689</u>	<u>515,224</u>
July	136,993	164,635	207,203	152,104
August	116,194	120,758	145,482	123,912
September	126,384	110,175	115,187	114,240
	<u>379,571</u>	<u>395,568</u>	<u>467,872</u>	<u>390,256</u>
October	93,491	128,793	0	76,632
November	94,117	128,802	0	80,031
December	109,166	129,274	0	81,840
	<u>296,774</u>	<u>386,869</u>	<u>0</u>	<u>238,503</u>
Total	<u><u>1,687,954</u></u>	<u><u>1,875,668</u></u>	<u><u>1,667,456</u></u>	<u><u>1,466,941</u></u>



**Eugene Water & Electric Board
Water System
Schedule of Revenues, Expenses and Changes in Net Position
for the nine months ended September 30, 2017**

	<u>Prior Year Comparison</u>		<u>Annual Working Budget</u>	<u>YTD Budget Comparison</u>		
	<u>9/30/2017</u>	<u>9/30/2016</u>		<u>Budget \$</u>	<u>Budget %</u>	<u>Budget Variance</u>
Residential	\$ 15,993,237	\$ 16,200,666	\$ 20,405,566	\$ 16,113,000	1 ¹ 99%	\$ (120,000)
Commercial and industrial	11,332,470	10,973,921	13,925,378	10,901,000	1 ¹ 104%	431,000
Sale for resale	1,567,506	1,559,279	1,983,128	1,497,000	1 ¹ 105%	71,000
Other	1,244,979	1,229,181	1,466,002	1,100,000	113%	145,000
Operating revenues	<u>30,138,192</u>	<u>29,963,047</u>	<u>37,780,074</u>	<u>29,611,000</u>		<u>527,000</u>
Source of supply, pumping and purification	4,236,726	4,143,793	5,768,114	4,326,000	98%	89,000
Transmission and distribution	4,532,793	4,436,586	7,583,297	5,687,000	80%	1,154,000
Customer accounting	1,197,066	1,153,156	1,639,648	1,230,000	97%	33,000
Conservation expenses	253,393	179,539	394,212	296,000	86%	43,000
Administrative and general	3,466,334	3,034,111	3,590,441	2,693,000	129%	(773,000)
Depreciation on utility plant	4,589,810	4,578,489	6,063,784	4,548,000	101%	(42,000)
Operating expenses	<u>18,276,122</u>	<u>17,525,674</u>	<u>25,039,496</u>	<u>18,780,000</u>	97%	<u>504,000</u>
Net operating income	<u>11,862,070</u>	<u>12,437,373</u>	<u>12,740,578</u>	<u>10,831,000</u>	110%	<u>1,031,000</u>
Investment earnings	393,530	281,495	394,970	296,000	133%	98,000
Other revenue	94,571	79,207	7,200	5,000	1891%	90,000
Non-operating revenues	<u>488,101</u>	<u>360,702</u>	<u>402,170</u>	<u>301,000</u>	162%	<u>187,000</u>
Other revenue deductions	3,897	192,645	85,000	64,000	6%	60,000
Interest expense and related amortization	1,631,143	1,605,873	2,096,078	1,572,000	104%	(59,000)
Interest expense, Electric	3,461,171	796,457	737,405	553,000	626%	(2,908,000)
Non-operating expenses	<u>5,096,211</u>	<u>2,594,975</u>	<u>2,918,483</u>	<u>2,189,000</u>	233%	<u>(2,907,000)</u>
Income before capital contributions	7,253,960	10,203,100	10,224,265	8,943,000	81%	(1,689,000)
Contribution in aid of construction	670,625	991,867	1,133,000	850,000	79%	(179,000)
Contributed plant assets	876,272	273,633	-	-	0%	876,000
System development charges	883,195	1,104,218	412,000	309,000	286%	574,000
Increase in net position	<u>\$ 9,684,052</u>	<u>\$ 12,572,818</u>	<u>\$ 11,769,265</u>	<u>\$ 10,102,000</u>	96%	<u>\$ (418,000)</u>

Notes:

¹ Seasonal budget figure based on cyclical consumption activity averaged from the past five 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 System
Statement of Net Position
September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>December 2016</u>
Assets			
<u>Capital assets</u>			
Utility plant in service	\$ 271,443,167	\$ 255,900,680	\$ 267,601,807
Less - Accumulated depreciation	(115,794,718)	(110,183,778)	(111,343,682)
Net utility plant in service	155,648,449	145,716,902	156,258,125
Property held for future use	2,396,812	1,174,768	1,184,434
Construction work in progress	7,303,676	12,540,544	3,063,265
Net Utility Plant	<u>165,348,937</u>	<u>159,432,214</u>	<u>160,505,824</u>
<u>Current assets</u>			
Cash and cash equivalents	7,370,118	4,812,682	4,740,905
Short-term investments	-	-	845,370
Restricted cash and investments	16,740,964	19,017,034	19,562,392
Designated cash and investments	21,197,743	26,166,941	14,959,703
Receivables, less allowances	4,669,413	4,519,715	3,298,133
Material and supplies, at average cost	798,679	850,163	900,944
Prepayments and special deposits	1,323,231	1,369,462	1,254,709
Total current assets	<u>52,100,148</u>	<u>56,735,997</u>	<u>45,562,156</u>
<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	124,716	157,718	157,206
Other assets	4,093,566	2,279,461	4,124,167
Total non-current assets	<u>4,218,282</u>	<u>2,437,179</u>	<u>17,836,993</u>
Deferred Outflows of Resources			
Deferred Outflows of Resources	<u>11,412,827</u>	<u>3,689,086</u>	<u>11,561,575</u>
Total Assets & Deferred Outflows	<u>\$ 233,080,194</u>	<u>\$ 222,294,476</u>	<u>\$ 235,466,548</u>
Liabilities			
<u>Current liabilities</u>			
Payables	\$ 262,688	\$ 587,259	\$ 1,201,768
Accrued payroll and benefits	972,161	1,016,124	1,094,980
Accrued interest on long-term debt	380,375	386,508	966,271
Long-term debt due within one year	2,160,000	1,840,000	1,840,000
Due to Electric System	320,886	774,331	870,656
Total current liabilities	<u>4,096,110</u>	<u>4,604,222</u>	<u>5,973,675</u>
<u>Non-current liabilities</u>			
Long term debt-bonds payable	56,835,772	59,405,314	59,273,233
Due to Electric System	8,868,355	16,784,045	16,612,001
Net pension liability	19,059,020	8,190,233	19,059,020
Other liabilities	255,751	263,647	267,484
Total liabilities	<u>89,115,008</u>	<u>89,247,461</u>	<u>101,185,413</u>
Deferred Inflows of Resources			
Deferred inflows of resources	1,009,432	1,929,745	1,009,432
Net Position			
Net invested in capital assets	108,736,669	95,324,507	97,536,117
Restricted	7,044,149	6,676,573	7,368,976
Unrestricted	27,174,936	29,116,190	28,366,610
Total net position	<u>142,955,754</u>	<u>131,117,270</u>	<u>133,271,703</u>
Total Liabilities, Deferred Inflows & Net Position	<u>\$ 233,080,194</u>	<u>\$ 222,294,476</u>	<u>\$ 235,466,548</u>

Eugene Water & Electric Board
Water System
Capital Budget Comparison
for the nine months ended September 30, 2017







	<u>Current Month</u>	<u>Year-to-Date</u>	<u>Annual Working Budget</u>	<u>% of Budget</u>
Meters (Pre-capped) ¹	\$ 84,426	\$ 357,599	\$ -	0.0%
Type 1 Capital				
Buildings & Land	29,508	55,876	248,000	22.5%
Distribution Facilities	46,676	417,500	1,339,000	31.2%
Distribution Pipe & Services ¹	407,799	4,581,513	6,181,001	74.1%
Information Technology	3,958	162,280	123,355	131.6%
Source Of Supply	23,512	577,371	1,029,999	56.1%
Water Fleet	-	104,726	110,000	95.2%
Total Type 1 Capital	<u>511,453</u>	<u>5,899,266</u>	<u>9,031,355</u>	65.3%
Type 2 Capital				
AMI ¹	1,041	379,477	280,000	135.5%
CIS	-	-	270,000	0.0%
Distribution Facilities	22,886	217,586	712,000	30.6%
Distribution Pipe & Services	5,019	27,882	-	0.0%
Source Of Supply	13,266	221,857	2,245,000	9.9%
Total Type 2 Capital	<u>42,212</u>	<u>846,802</u>	<u>3,507,000</u>	24.1%
Type 3 Capital				
Source Of Supply	(63,917)	1,602,973	1,830,000	87.6%
Total Type 3 Capital	<u>(63,917)</u>	<u>1,602,973</u>	<u>1,830,000</u>	87.6%
Total Capital before CIA	574,174	8,706,640	14,368,355	60.6%
Contributions in aid	<u>(41,495)</u>	<u>(670,626)</u>	<u>(1,133,000)</u>	59.2%
Grand Total	<u>\$ 532,679</u>	<u>\$ 8,036,014</u>	<u>\$ 13,235,355</u>	60.7%

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.

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. This Capital Budget Comparison includes overhead applied at the sub-project level, rather than underlying capital work orders. Overhead is applied to underlying capital work orders once they have closed. Information by project is provided in the quarterly EL1 report.

**Eugene Water & Electric Board
Water System
Financial Ratios
September 30, 2017**

	<u>YTD</u> <u>2017</u>	<u>Status</u>	<u>December</u> <u>2016</u>	<u>PERFORMANCE</u> <u>STANDARD</u>
Current Ratio	12.72		9.90	3.250x
Debt as % of Net Book Value	44%		49%	≤ 60%
Debt Service Coverage - Annualized	4.04		7.89	2.0 to 2.50x
Age of System - Overall	43%		42%	< 60%
Pumping Plant			67%	
Water T&D Plant			49%	
Days Unrestricted Cash	544		694	>150 days
Rate of Return - Annualized	9%		10%	Range 5-7%

Ratios

The Current Ratio continues to increase primarily due to balances in restricted and designated cash remaining classified as short-term, as well as the reduction of the intercompany debt. The December 2016 Debt Service Coverage ratio was adjusted in June for the transfer from the Rate Stabilization fund. This transfer was based on 2016 results and was approved by the Board in Resolution No. 1710. The transfer of \$5 million resulted in an increase of the ratio to 7.89 from 6.32. All other ratios are performing better than the Board performance standards. The Rate of Return has been above the performance standard and supports the current budget recommendation to reduce Water rates by 3% in 2018.

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). Long term investments are included in the calculation since they are highly marketable and could be liquidated if the need arose. 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. Long term investments are included in the calculation since they are highly marketable and could be liquidated if the need arose. Standard and Poor's Industry Standards for Investment Grade ratings are typically 60 to 90 days. The higher performance standard supports higher credit rating.

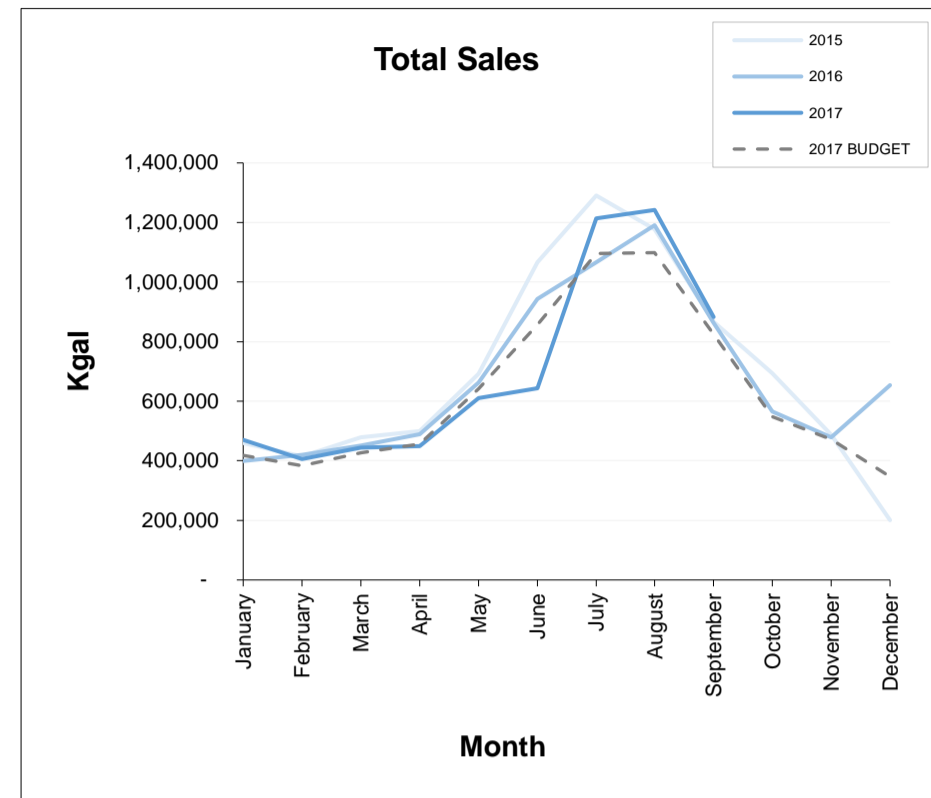
Rate of Return

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. Per the AWWA, a range of 5-7% is an acceptable range (the upper quartile for return on assets is approximately 6%).

Water System Sales in Kgal September 2017

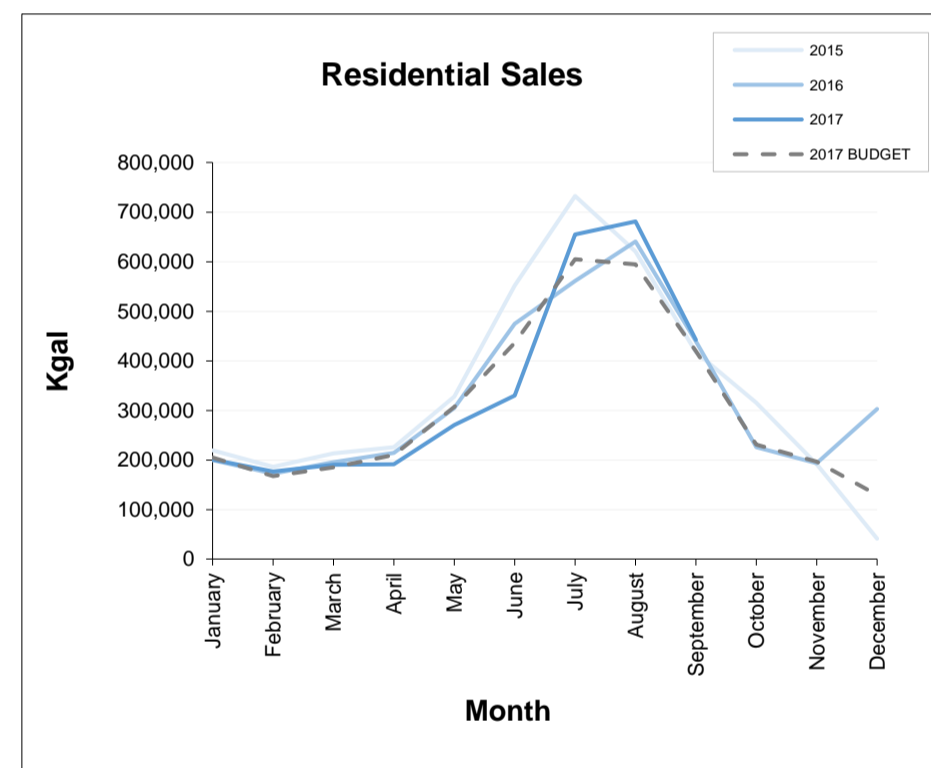
Total Water Sales in Kgal

	2015	2016	2017	BUDGET 2017
January	459,108	399,369	469,493	418,000
February	404,303	419,161	405,815	383,804
March	467,462	450,547	444,552	426,273
Q1 total	1,330,873	1,269,077	1,319,860	1,228,077
April	487,636	488,756	450,168	455,583
May	679,838	662,977	610,855	642,331
June	1,051,349	942,995	643,822	855,789
Q2 total	2,218,823	2,094,728	1,704,845	1,953,703
July	1,255,528	1,066,322	1,212,921	1,095,294
August	1,145,986	1,190,789	1,242,046	1,098,659
September	840,585	863,372	882,048	826,097
Q3 total	3,242,099	3,120,483	3,337,015	3,020,051
October	674,261	566,078	0	548,290
November	473,737	478,000	0	471,614
December	187,717	653,434	0	346,818
Q4 total	1,335,715	1,697,512	0	1,366,722
Annual total	<u>8,127,510</u>	<u>8,181,800</u>	<u>6,361,720</u>	<u>7,568,552</u>



Residential Sales in Kgal

	2015	2016	2017	BUDGET 2017
January	219,363	199,360	200,913	205,002
February	186,053	172,258	176,564	167,091
March	213,577	195,684	190,004	184,568
Q1 total	618,993	567,302	567,481	556,661
April	225,226	214,567	190,757	210,157
May	328,179	305,247	270,359	306,405
June	551,652	474,954	329,725	436,109
Q2 total	1,105,057	994,768	790,841	952,671
July	732,314	560,639	654,795	604,806
August	620,535	640,466	681,013	594,718
September	417,603	439,526	442,673	419,212
Q3 total	1,770,452	1,640,631	1,778,481	1,618,735
October	315,532	226,033	0	230,696
November	191,016	193,702	0	196,394
December	41,102	303,194	0	129,266
Q4 total	547,650	722,929	0	556,356
Total	<u>4,042,152</u>	<u>3,925,630</u>	<u>3,136,803</u>	<u>3,684,423</u>



General Service, Contract & Other in Kgal

	2015	2016	2017	BUDGET 2017
January	239,745	200,009	268,580	167,884
February	218,250	246,903	229,251	178,739
March	253,885	254,863	254,548	203,144
Q1 total	711,880	701,775	752,379	549,766
April	262,410	274,189	259,411	205,880
May	351,659	357,730	340,496	294,359
June	499,697	468,041	314,097	368,503
Q2 total	1,113,766	1,099,960	914,004	868,743
July	523,214	505,683	558,126	422,280
August	525,451	550,323	561,033	414,674
September	422,982	423,846	439,375	316,885
Q3 total	1,471,647	1,479,852	1,558,534	1,153,840
October	358,729	340,045	0	247,310
November	282,721	284,298	0	227,334
December	146,615	350,240	0	173,093
Q4 total	788,065	974,583	0	647,737
Total	<u>4,085,358</u>	<u>4,256,170</u>	<u>3,224,917</u>	<u>3,220,086</u>

