M E M O R A N D U M

EUGENE WATER & ELECTRIC BOARD

Rely on us.

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

FROM: Frank Lawson, General Manager

DATE: October 19, 2017

SUBJECT: Board Governing Style, Board Policy GP1

OBJECTIVE: Information Only

Issue

According to Board Policy GP1, the Board will monitor and discuss the Board's process and performance during the last quarter of the year. Self-monitoring will include comparison of Board activity and discipline to policies in the Governance Process and Board-GM Linkage categories.

Discussion

To comport with the policy, time has been reserved on the December agenda for Commissioners to share their perspectives of the Board's performance. This opportunity is intended to address any disparities in processes; identify any desire for expanded knowledge in strategic areas; and confirm the Board is giving adequate attention to its priorities. If desired, staff will facilitate advanced work such as a survey, or questionnaire, to aid the discussion. A copy of the assessment used in 2015 is attached as an example.

Please consider what you wish to gain from this experience and your preferred method of submitting your impressions. Please provide your feedback to the General Manager and Executive Assistant.

Requested Board Action

No action is required, management requests Board feedback to guide the process.

EWEB Commissioners Assessment (COMPOSITE)

The following table is a tool to gain an impression of how well the board is doing as a whole. The table is a basic form for board evaluation, but if the evaluation is conducted wholeheartedly, it should generally indicate how well the board is conducting its role.

You may complete the form electronically or print a copy and write in your responses. Commissioners may also attach suggestions to improve ratings for any of the following 27 considerations.

Please submit the completed form to the Executive Assistant no later than _____. The EA will not read the assessments. All identifying information will be removed and the anonymous evaluations will be provided to the Board President who will collate and share the results.

Considerations	5 Strongly Agree	4 Agree	3 Unsure	2 Disagree	1 Strongly Disagree
1. Board has a full and a common understanding of the roles and responsibilities of the board.					
2. Board members understand the organization's mission, vision, products and services.					
3. Structural pattern (board, officers, committees, executives and staff) is clear, delineated in bylaws, and followed by board.					
4. Board members actively participate in strategic planning and ongoing strategic thinking.					
5. The board has adopted, and uses, explicit measures of progress toward identified outcomes.					
6. Board attends to policy-related decisions which effectively guide operational activities of staff.					

7. Board receives regular reports on finances/budgets, service/program performance and other important matters.					
8. Board effectively represents the organization to the community (i.e. has an "elevator speech.")					
9. Board meetings facilitate focus and progress on important organizational matters with reporting kept to a minimum.					
10. Board meetings are adequate in length and held at the right time of the day.					
11. Board regularly evaluates and develops yearly goals with the chief executive.					
12. The board reviews the compensation of the Executive Director based on industry standards.					
13. Board has approved comprehensive personnel policies which have been reviewed by a qualified professional.					
14. Board culture encourages and welcomes open discussion, even when members disagree.					
15. Board has an emergency succession plan for executive.					

Considerations	5 Strongly Agree	4 Agree	3 Unsure	2 Disagree	1 Strongly Disagree
16. Board is attentive to building leadership capacity on both board and staff.					
17. Board regularly assesses itself as a whole and also board member participation individually.					
18. Board has a packet of materials for new board members and an orientation process for them.					
19. Board has a board agreement, a whistleblower policy and a conflict of interest policy that all board members must sign and follow.					
20. The board regularly monitors financial performance and projections.					
21. Board members are sufficiently knowledgeable to ask meaningful questions about finances and financial management.					
22. The board reviews the audit report and has an opportunity to ask questions of the auditor at an exit conference.					
23. The board reviews the 990 before filing.					
24. The board has a process for handling urgent matters between meetings.					
25. The board has an annual calendar of meetings.					
26. The board has an attendance policy.					
27. Each member of the board feels involved and interested in the board's work.					

Written Questions

What specifically would help to make you a more engaged board member?

Please list the three to five issues on which you believe the board should focus its attention in the next year. Be as specific as possible in identifying these points.

In ten years, what do you believe is the single most important impact that this organization should have on the community it serves?

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO:	Commissioners Helgeson, Brown, Mital, Simpson and Carlson
FROM:	Frank Lawson, General Manager; Jeannine Parisi, Customer Relations Manager
DATE:	November 1, 2017
SUBJECT:	Community Education Grants
OBJECTIVE:	Information only

Issue
EWEB is implementing a new strategic plan with a focus on affordability, including a review of how discretionary funds are allocated. The Board has directed Management to ensure that its community investment dollars are targeted towards programs and activities that are aligned with the utility's strategic priorities and provide benefit to the most number of customers. The Board has requested more information about how school grants are applied through this lens.

Background
The EWEB Education Grant Program, established in 1995, replaced long standing "contributions-in-lieu-of-tax" (CILT) payments to the four school districts in our service territory. A similar change was made in 1998 for Lane Community College. The Grant Program provides funding for water and energy education activities in four area school districts: Eugene (4J), Bethel, Springfield and McKenzie, and for Lane Community College (LCC).

Five-year Inter-Governmental Agreements (IGAs) are used to allocate the grant as follows: Eugene (4J)-$247,000; Bethel-$77,000; Springfield-$47,000; McKenzie-$21,000 and for LCC - $70,000. Language in the IGAs provide EWEB with the ability to increase or decrease grant payments as part of the annual budget process. The EWEB Board last renewed the IGAs in December 2015, continuing funding for the following five years at the 2015 funding levels. This renewal carried forward a 50% reduction to LCC enacted during the economic recession.

Discussion
Support for K-12 education programs are fairly common among electric utilities, including classroom presentations and site tours provided by utility staff, and scaling up to direct funding for equipment, events and curriculum. EWEB's education grants are one of the more tangible benefits derived from the public ownership of the electric and water utility, with thousands of students as direct beneficiaries. EWEB funding fills a critical resource gap for science curriculum and hands-on learning at area schools, enabling field trips, equipment purchases, teacher training, and multi-district events like the solar car challenge. Refer to the attachment for a summary of the main grant funded activities in the Bethel and 4J School Districts during the 2016-17 school year. For a recent example of how EWEB grants support hands-on science learning, there is an article in the EWEB newsroom and a short video describing the Salmon Watch program. Links to the article and video are here:

http://www.eweb.org/about-us/news/salmon-watch-visits-carmen-smith-spawning-channel
https://youtu.be/3zdg8MBf1XA.

The LCC grant is a bit different in that the funds have largely been to support instruction and administration of its two-year energy management, building controls technician, and water conservation programs. Employment rates play a key factor in community college enrollment levels. Consequently, the current record low unemployment rate (4.5%) has led to under-enrollment in many technical programs, including energy management. Ideally, the building controls and energy management courses target twenty or so students per year, but participation has been much lower the past few years. Students that do graduate have high placement rates in the labor market in a variety of well-paid positions, like energy analysts, resource conservation managers, and building controls specialists.

LCC was successful in receiving a grant from the National Science Foundation (NSF) to move its commercial building energy management curriculum completely on-line and offer the curriculum to students throughout the Northwest. The Northwest Public Power Association (NWPPA) and Northwest Public Utilities are intimately involved in the deployment of the online program. With NSF and EWEB grant funds supporting the development of this new effort, LCC has the potential to greatly extend the program's reach while offering improved economies of scale to the college. This year was the first time the on-line curriculum was offered and the college hopes to improve marketing to increase participation despite current enrollment trends.

TBL Assessment
No formal TBL has been completed.

Recommendation
Management has met with LCC program directors to discuss future funding in light of the Board strategic direction and EWEB's affordability initiative. In comparison to the school district funding, the LCC grant has a more limited reach in terms of the number of EWEB customers impacted. However, there is specific benefit in terms of high workforce placement rates of LCC energy and water conservation program graduates, with graduates finding employment in both private businesses and public utilities throughout the region.

Requested Board Action
No action is requested at this time; the information in this backgrounder has been provided to assist the Board as they provide direction on the proposed budget which is scheduled to be approved in December.

EWEB Education Grants

4J School District | 2016-2017

We believe that **science education and hands-on learning** for area school children is an important investment in our future. The following is a summary of major EWEB grant-funded activities in the 4J School District during the 2016-2017 school year.

Investment

33 Schools
Elementary, middle and high

19 STEM Programs
Science, Technology, Engineering & Math

$247K
Funds activities, curriculum, equipment & teacher training

Multi-District Solar Challenge

20th Annual Event
involving 3600 students

1000+ Race Day Participants
150 teams from 14 middle schools

4 competitions
Speed, art, science, & hills

STUDENT REACH

Salmon Rearing	Field Trips/Labs	KidWind Projects	Science Kits
			
1700	**1800**	**500+**	**7000+**

SUBJECTS

- Energy conservation
- Aerodynamics
- Electric generation/safety
- Water resources
- Sustainable energy
- Local watersheds
- Biology/Chemistry
- Math/Engineering
- Recycling

**Springfield and McKenzie School Districts are supported at levels roughly proportional to the amount of EWEB revenue generated in their districts ($47k and $21k) and use EWEB funding for similar science-based activities.*

EWEB Education Grants

Bethel School District | 2016 - 2017

We know that **education is a critical ingredient for a healthy, prosperous community**. The EWEB Education Grant Program provides funding for activities in four area school districts. Here is a summary of the main grant-funded activities in the Bethel School District during the 2016-17 school year.

INVESTMENT

11
Schools
Elementary, middle and high

13
STEM Programs
Science, Technology, Engineering & Math

$77k
Grant funds
For activities, curriculum, and materials

CONGRATULATIONS!

KidWind PROJECT®

Ten classes participated and one team from Willamette high school advanced to the National KidWind Challenge in Anaheim, Ca. Congrats to Team Hot Glue for placing 6th out of 24 teams and 3rd in energy production!

REACH

Field Trips	Watershed & Fish Studies	Science Kits & Labs	Wind Turbine Projects	Electric & Solar Car Projects
570	**1000**	**2,000+**	**500**	**550**
Kids	**Kids**	**Kids**	**Kids**	**Kids**

SUBJECTS

- Energy conservation
- Aerodynamics
- Watershed protection
- Water resources
- Sustainable energy
- Electric safety & generation
- Math/Engineering
- Biology/chemistry
- Recycling

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

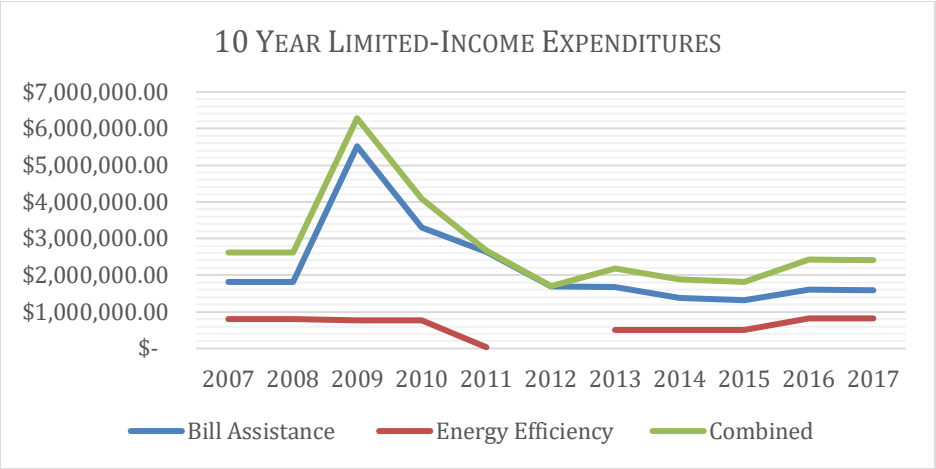
TO:	Commissioners Helgeson, Brown, Mital, Simpson and Carlson
FROM:	Rene Gonzales, Customer Solutions Manager
DATE:	10/20/2017
SUBJECT:	Comparison of Utility Limited Income Assistance
OBJECTIVE:	Information Only

Issue
This is an information item only regarding EWEB funding levels for limited income customer program offerings compared to other regional utilities.

Background
At the September and October 2017 Board meetings, Commissioners received public testimony from Keith Kueny, representing the Community Action Partnership of Oregon (CAPO). He urged continuation of funding for limited income assistance and noted that while some other Northwest utilities were expanding their programs, EWEB had not. Commissioners requested additional data on EWEB and regional utilities contributions to limited-income assistance programs.

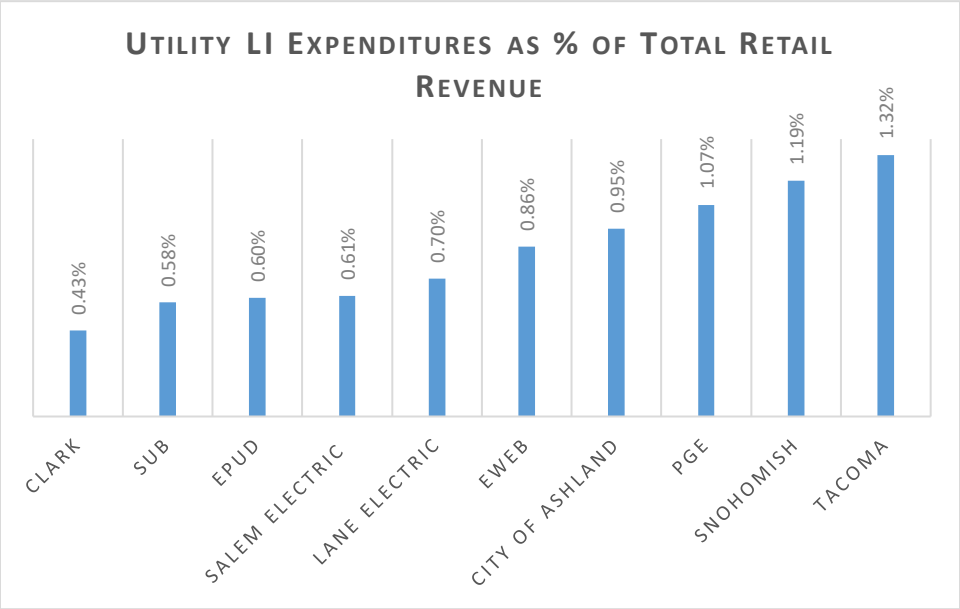
Staff requested data from a dozen area utilities, reviewed published financial reports, and PUC Oregon Utility Statistics books. We received complete information from ten of those utilities. However, direct comparisons are difficult to construct as each utility offers a different suite of programs, some voluntary and some under regulatory obligations. For example, Portland General Electric is required to collect a 1% public purpose charge for low income weatherization, and an additional required contribution for bill assistance, raising over $20 million. In comparison, Snohomish PUD budgets $250,000 for limited income energy efficiency programs, but has an unlimited, needs-based rate discount equivalent to $6.5 million in 2016.

Discussion
EWEB support for limited income assistance includes bill credits and/or energy education services called Customer Care and Customer Care Plus, as well as, limited income energy assistance programs delivered through EWEB's customer solutions energy management staff and our partner agencies. Program budgets are supplemented with donations from customers, the annual Run to Stay Warm fundraiser and employee voluntary contributions. Funding levels increased dramatically during the economic recession with the addition of federal support and Board approved increases to programs. As the economy slowly recovered, grants expired and EWEB's own financial situation became more constrained, budgets for limited income assistance returned to pre-recession levels.



Note: EWEB suspended its energy-efficiency programs in 2012.

At a high level, we found that all ten utilities offer limited income energy efficiency programs, eight offer bill pay assistance, four provide rate discounts, and six offer energy education or financial literacy services. The table below shows the percentage of revenue dedicated to limited income programs in calendar year 2016 for each utility. For this comparison, 2016 actual program expenditures, not budgeted amounts, were used to calculate the percentages. For utilities with rate discounts, those contributions were treated as bill pay assistance. Two utilities did not break out energy efficiency funds for limited income customers. And because energy education programs are very difficult to compare, this data was excluded from the table. In short, this presentation is our best understanding of the data provided.



TBL Assessment
N/A
Recommendation
None at this time.
Requested Board Action
Information only

Capital "EL1" Report: Electric, 2017 -Q3

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

Type 1 - General Capital

Capital Category	2017 thru Q3 Budget	2017 thru Q3 YTD Actual	2017 thru Q3 Year-End Projection	Status/Comments
Electric Infrastructure - Generation	**$1,196,000 (Note 2)**	**$795,603**	**$987,000**	Capital work continued in Q3 during the planned outages. New canal flow meter in Walterville is operational. Rec trail at Leaburg forebay is complete. Emergent capital work at Stone Creek (triggered by failed generator relay) more than offset by LB-WV capital deferred to compensate. - ZINNIKER
Electric Infrastructure - Substations	**$1,780,000**	**$984,891**	**$1,892,294**	Type 1 Projects currently tracking on planned schedule and within 5% of budget. Bertelsen 115kV breaker and swich replacement is completed and commissioned. 15kV breaker replacements at three stations are expected to be completed in mid November. Remainder of R&R projects substantially complete and in closeout phase (comm upgrades, battery replacements, etc.). - NICE
Electric Infrastructure - Telecom	**$250,000**	**$150,112**	**$200,000**	Consists of EWEB driven and Customer Driven work. Currently tracking below expected trajectory. Construction of two projects with the city have been completed with the third started the week of October 16th. - NICE
Electric Infrastructure - Transmission & Distribution	**$7,065,000**	**$5,628,699 (1)**	**$7,307,086**	Customer reimbursable work is forecasted to be under budget by $600k due to a lull of customer construction, with renewal and replacement work expected to be over budget by $1.3M due to EWEB's capacity to complete more work via an EWEB hired contractor. Enhancements and additions to the distribution system are on track. Actuals or year-end projection shown does not include pre-capitalized transformers or meters of which have spent to date approximately $1.2M to date. - FATOOH

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 Q3 Budget	2017 thru Q3 YTD Actual	2017 thru Q3 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
Leaburg Dam Roll Gate Hoists	**$0**	**$57,810**	**$100,000**	$5,150,000	**$6,342,888**	$7,000,000	Jul-2012	Nov-2014	Oct-2018	All three hoist systems released for full automatic operation in Q1. Final payments to contractors pending punch list completion, expected by the end of Q4 2017. Potential repair of worn gate teeth under investigation for 2018 implementation. ZINNIKER
Downtown Fiber Network	**$600,000**	**$70,556**	**$600,000**	**$2,100,000**	**$69,253**	**$2,100,000**	**Mar-2017**	**Dec-2018**	**Dec-2018**	Crews have begun installing fiber microduct for the Downtown Network. City of Eugene has received grant award. Final tasks related to grant compliance being completed. Most funding for this work will be transferred to O&M in the future and is reimbursible. -NICE
Weyerhauser Property Purchase	**$1,300,000**	**$0**	**$1,300,000**	**$1,250,000**	**$122,047**	**$1,300,000**	**Jul-2016**	**Dec-2016**	**Feb-2018**	Property purchase delayed from Q1 2017 due to issues with leasee and current Owner. It will be decided late November if funds will be allocated to escrow to allow funding to be used. Final closing expected to take place in early 2018. This land is for the purpose of the future Thurston Substation reconfiguration and source protection. A portion of the acquired property is not needed for utility purposes and, therefore, our intent is to surplus it in 2018. -NICE
Upriver Re-Configuration/Holden Ck. Substation	**$4,457,000 (Note 2)**	**$2,037,262**	**$4,857,000**	$3,000,000	**$1,550,073**	**$5,830,000**	Jan-2014	Oct-2015	**Feb-2018**	Major equipment has been installed with final terminations and control cable routing in progress. The substation concrete fence is approximately 50% complete. It is expected all major construction with the exception of the fence will be completed by the first week of November, with Fence completion going into the second week of November. EWEB crews will be mobilizing the second week of November to finish final wiring, testing and commissioning through January 2018. Final details for the BPA connection are being completed and energization of the substation is planned for June 2018, following completion of BPA design and construction activities. $400k overage for 2017 is due to full payment to BPA for the design and execution of interconnection is being pre-paid per their process. This was originally planned to be paid for in early 2018. -NICE
Downtown Distribution Network	**$1,000,000 (Note 2)**	**$750,597**	**$1,100,000**	$15,000,000	**$266,570**	$20,000,000	Sep-2010	Dec-2015	**Dec-2028**	2018 Total shown includes Pre-capped materials (network protectors & transformers -($562K precap & $188,597 labor & other thru Sept & $837K precap & $263K labor & other for 2017 YE). Downtown Network protector replacements have been completed in 2017 at vaults 9G-Lane County Building, 3F-Hilton, 2K-US Bank. Replacements at 13M-Baker Bldg, 2F Hult Center, 13F-Federal Bldg to occur remainder of year. 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 communication and automation upgrades. Development of electrical model is currently in progress. Update of GIS mapping is complete. -NICE
Grid Edge Demonstration Project	**$837,000 (Note 2)**	**$122,048**	**$130,000**	$1,200,000	**$143,455**	**$1,200,000**	**May-2016**	**Jun-2017**	**Sep-2018**	Project direction finalized to include an installation at ROC and one at a 4J site in 2018, with additional 5 schools in next 5 years. Design-build RFP advertisement scheduled to be completed mid November with award in early 2018 to manufacturer and integrator. Procurement and delivery of materials scheduled for end of Q1 of 2018 with installation and commissioning planned for Q3 of 2018. -NICE
Jessen Substation Reconfiguration	**$125,000**	**$0**	**$0**	**$125,000**	**$0**	**$0**	**Mar-2017**	**Dec-2018**	**Dec-2019**	Initially planned to do design work in 2017 and construction in 2018 however project execution pushed out to 2019 after asset prioritization efforts in order to place emphasis on completion of upriver transmission reconfiguration program. -NICE

Type 3 - Strategic Projects & Programs

Project	2017 thru Q3 Budget	2017 thru Q3 YTD Actual	2017 thru Q3 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
Carmen Smith License Implementation	$11,700,000	**$3,835,554**	**$5,900,000**	$135,000,000	**$41,696,710**	$129,500,000	May-2009	Dec-2021	Dec-2025	The Project End Projection has been updated to reflect the 2016 Settlement Agreement that has been filed with the FERC. Staff has completed and filed the revisions to the FERC exhibits and the Biological Assessment. We expect the license to be issued no earlier than Q2 of 2018. Implementation of 5-year plan to address aging infrastructure at Carmen Powerhouse underway. The Carmen Power Tunnel was successfully dewatered and inspected in October with minor repairs required in a future outage. The turbine shutoff valves were delivered late, so installation was re-scheduled to begin in May 2018 with intent to complete by the end of October 2018. Design and procurement of equipment for rebuilding the substation in 2019 has also begun. (ZINNIKER, BOYLE)

Total Electric Capital (Excluding Shared Services)	**$30,185,000**	**$14,433,132**	**$24,373,380**	**81%**

Note(s) 1. Distribution transformers, Non-AMI meters 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 (48% vs. 75%), Type I expenditures predicted year end is at 114% of budget vs. actual. ($11.7M), with about 85% spent through Q3. Type II spending ended at 37% of Q3 spending, and projected expenditures year end at 97%. Spending for this work type is not consistent with a straight line approximation due to end of year anticipated balloon payments (i.e.: Holden Creek, Weyerhaeuser Purchase). Holden Creek Substation project substantial construction by the contractor is slated to complete in November 2017 and is expected to have large contractor and major equipment payments come in before year end. Downtown Network projects have shown steady spending are on track for this year with a slight overspend due to opportunistic work being completed in addition to the planned work. Carmen Smith spending is expected to be approximately 50% of budgeted at year end due to delays in the Turbine Shutoff Valve delivery, which has resulted in this project being pushed to 2018. Staff also postponed the acceleration of Trail Bridge fish passage design work once it became clear that the FERC would not issue a new license in 2017. Staff expect significant spending on fish passage design to resume in 2018. These spending delays were anticipated during the development of the 2018 capital budget for Carmen-Smith, so no transfer of 2017 budget to 2018 is anticipated during the April True-Up. Year end projections of total expenditures vs. budget for Type 1 & Type 2 work combined is predicted to be 106% excluding Shared Services and Type 3, and 81% including Type 3 (Carmen) for the overall Electric Division budget (with precap materials included).

Capital EL1 Report: Water, 2017-Q3

10/27/2017

Type 1 - General Capital

Project	2017 Budget	2017 YTD Actual	2017 Year-End Projection	Status/Comments
Source - Water Intakes & Filtration Plant	$1,030,000	$577,000	$800,000	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	$3,067,000	$4,485,000	Largest componet in this area is main replacements. This item is tracking well so far. Cost reporting does lag however, so we will be watching this number closely
Services and Meters	$1,803,000	$1,515,000	$2,000,000	Includes both new services and meters as well as replacement of existing service lines. Running high - will monitor as we get closer to year end.
Pump Stations	$1,236,000	$406,000	$900,000	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. Scaling back Laurel Hill significantly is dropping year end projections.
Reservoirs	$103,000	$11,000	$50,000	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. 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 $3.5-4.5 million per year.

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

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Type 3 projects are large strategic programs with long term impacts.

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	$93,000	$400,000	$3,645,000	$93,000	$3,580,000	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	$104,000	$220,000	$1,215,529	$1,221,067	$1,440,000	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 while 2017 costs coming in much less than anticipated. (Initial Plan - 2013 CIP)
Distribution System Scada/PLC Upgrades	$412,000	$107,000	$400,000	$3,079,780	$588,109	$1,300,000	2013	YE-2016	YE-2019	Multi-Year upgrade project. Completed Crest System. Currently working on Dillard and Willamette systems. Project complexities and staffing limitations are affecting schedule (Initial Plan 2013 CIP)
Hayden Bridge Standby Power Improvements	$1,030,000	$46,000	$450,000	$1,728,000	$72,666	$1,360,000	2015	YE-2017	Q1-2018	Design is complete and proceeding with the prepurchase of two generators, one for Hayden Bridge Plant and one for Intakes along with electric equipment. Delays in design process have pushed construction to early 2018. (Initial Plan - 2015 CIP)
Hawkins Reservoir Improvements	$300,000	$124,000	$125,000	$2,067,000	$124,000	$2,110,000	2014	YE-2018	Q2-2019	Structural evaluations identified significant deficiencies with the existing reservoir. Due to high cost for improvements, shifting focus to constructing new reservoir as part of the Water Utility's plan for distributed base level reservoir. Adjustments will be made in 2018 Capital Plan to reflect change in focus. (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	$1,603,000	$1,700,000	Varied from $52M to $120M	$2,483,000	$67,000,000	2014 with Planning	YE-2021	YE-2030	Project has been deferred to the later years of the ten year CIP. For 2018 this project will be replaced with the Emergency Water Supply Project

Total Water Capital (Excluding Shared Services)	$13,337,000	$7,653,000	$11,530,000	86%	year end projection to budget
Type 1, 2 Capital (Excluding Shared Services)	$11,507,000	$6,050,000	$9,830,000	85%	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 74% 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 as design issues have delayed the start of construction on a couple projects to 2018. In addition, completed strutural evaluations have caused the Water Utility to change the focus on the Hawkins Reservoir Rehabiliation delaying expenditures in this area. Type 3 projects are marked red for EL1 report due to project deferral. This project will be replaced by the Emergency Water Supply program in 2018. Overall, water has $13,337,000 budgeted for capital in 2017 (adjusted for the April True-Up) and anticipates spending 85% of that amount. Engineering's target is attain at least 90% expenditures of the capital budget amounts which the Water Utility has exceeded for the past several years. This year we will be below target due to the issues on the Type 2 projects noted.

Capital "EL1" Report: Shared Services, 2017-Q3

Type 1 - General Capital

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

Capital Category	2017- Q3 Budget	YTD Actual	Year-End Projection	Status/Comments	
General Plant - Information Technology (I.T.)	$1,185,355	$910,449	**$1,185,355**		**Increase in IS Type I capital 500K as of 9/28/17 will be used to: -Refresh the wireless infrastructure -Refresh of Leaburg networking equipment -Simplification of core network**
General Plant - Buildings & Land Management	$1,322,000	$340,301	**$615,000**		Elevator Contracts approved by Board in Feb 2017 Contract for elevator upgrade has been issued to Kone. All materials will be onsite and HQ North Building elevator completed by end of year. HQ main building elevators completed in 2018. Upgrade of HQ Fire Alarm System has been cancelled. (Morgenstern) ROC Comm Tower construction tasks are underway and expected to be completed in December. (Wolfe)
General Plant - Electric& Water Fleet Capital	$610,000	$243,893	**$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) remaining procurements are moving forward for 2017. (Damewood)

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 - Q3 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	**$2,112,027**	**$2,200,000**	$6,475,700	**$5,143,934**	**$6,475,700**	May-2015	Dec-2017	May-2018		**Q3 2017 - Automated meter-to-bill process is in place for 1% of customer meters, and eight-year full deployment has begun. Additional software integration work is expected to continue through the end of 2017. (Jones)**
Customer Information System (CIS) Replacement	$1,500,000	**$8,429**	**$186,495**	$9.7M	**$8,429**	**$11,150,000**	Sep-2016	Aug-2018	mid to late-2019		**Projected spending lower than anticipated due to availability delay in third party resources.**

Total Shared Services Capital (This Report) **$6,547,355** **$3,615,099** **$4,796,850** **73.26%**

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: Mike McCann, Interim Chief Energy Officer, and Mark Zinniker, Generation Engineering Supervisor

DATE: October 27, 2017

SUBJECT: EWEB Power Canal Seepage

OBJECTIVE: Summarize EWEB's Seepage Management Approach for the Hydro Power Canals

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Issue

Water seeping through the earthen embankments of the Leaburg and Walterville Canals affects adjoining private properties to varying degrees. Seepage is present at various locations along the full length of both canals, resulting in effects on neighboring properties that range from the difficult to perceive (increased subsurface groundwater levels) to the obvious (small flowing streams through natural swales or drainage ditches). The extent of seepage varies with canal water level, peaking at full canal flow and essentially disappearing when the canals are dewatered for annual maintenance. Neighbor reactions to the seepage conditions are also variable, ranging from favorable (seepage is used by some property owners for landscaping ponds/features and shallow wells) to negative (threats of property damage claims). EWEB primarily receives seepage-related complaints during the wet weather season when the combination of canal seepage and precipitation-derived stormwater is most likely to overwhelm the drainage capacity of neighboring properties, resulting in areas of spongy soils and/or ponding.

Background

The Walterville Canal, with a length of approximately four miles, was originally constructed between 1909 and 1910. The Leaburg Canal, with a length of approximately five miles, was constructed between 1927 and 1928. The canals were constructed by excavating into the slopes and hillsides above the McKenzie River where native materials ranged from alluvial deposits of silty/sandy gravels to basalt bedrock that required blasting. The excavation spoils were used to construct the downhill canal embankments. Modern repair work typically reveals the presence of a thin layer of finer grained soil on the interior face of the canal embankments that creates an earthen 'liner' for the canals. The embankment materials were placed in shallow lifts and compacted using teams of horses. The quality of construction was likely variable and generally poor relative to modern earthwork standards.

As a result of the pre-modern earthwork designs and construction techniques, the presence of water seeping through the canal embankments is an expected and inevitable side effect of the power canals. As such, seepage impacts on neighboring properties became evident as soon as the power

canals were filled and went into operation. Archive records contain a significant volume of correspondence between EWEB and adjoining property owners regarding seepage impacts. These date from the initial days of canal operation to the present.

Neighboring properties with poor drainage tend to be the most sensitive to canal seepage. Examples include properties sandwiched between the power canals and Highway 126. The highway itself is constructed on a raised embankment that impedes the downhill flow of water (canal seepage as well as stormwater). The water must either find its way to a culvert passing beneath the highway or infiltrate into the ground. Figure 1 shows this type of property during the wet weather season after a period of heavy rainfall. The highway is just beyond the trees on the left side of the photo and canal slope on the right.

Figure 1. Ponding between the Leaburg Canal and Highway 126 following heavy rainfall

Other properties adjacent to the canals are relatively flat. An example of this type of property is shown in Figure 2. Even though not sandwiched between the canal and highway, the water must pond significantly before it can drain away, otherwise it must infiltrate into the groundwater table. Again, this type of ponding is typically only present during periods of heavy rainfall.

Figure 2. Seepage effects on flat farmland adjacent to the Walterville Canal

Canal Safety Surveillance and Monitoring

While water seeping through the earthen canal embankments is normal, EWEB staff are constantly alert to the possibility of normal, clear seepage becoming excessive. Excessive seepage refers to levels of leakage from the canal that contain enough energy to erode embankment materials, resulting in heavy flows of cloudy or muddy water. If left unchecked, excessive seepage could remove soils to the point of undermining the structural integrity of a canal embankment, resulting in an uncontrolled release of water or 'canal breach'. The entire Leaburg Canal and portions of the Walterville Canal are categorized by the Federal Energy Regulatory Commission (FERC) as High Hazard due to the potential for a failure to cause loss of life, property, or environmental resources. Prevention of a canal breach or uncontrolled release of water is the purpose of EWEB's Dam Safety Program, a formal program that guides a wide variety of dam safety activities that are performed by EWEB engineering and operations staff, various contractors, and dam safety specialists.

As part of the Dam Safety Program, EWEB staff regularly monitor seepage conditions along Leaburg and Walterville Canals. The monitoring activities include daily inspections of the high hazard portions of the canals by operations staff. On a weekly basis, operations staff also gather flow

measurements at permanent seepage weirs located at various known seepage points along the canals. These devices quantify the amount of seepage for analysis and trending by engineering staff. Figure 3 shows one of the seepage weirs. There are also numerous sites where seepage cannot be collected for measurement, but are still visually monitored and documented on weekly inspection checklists. These regular monitoring activities position EWEB staff to recognize any changed conditions that might warrant response. Additional dam safety inspections are conducted on monthly and quarterly intervals by EWEB operations and/or engineering staff. Dam safety engineers from the FERC inspect each canal annually. And every five years, an independent consultant hired by EWEB conducts an in-depth dam safety inspection and documentation review.

Figure 3. Permanent seepage weir monitoring station

Hazard Mitigation Control System

Given the recognized potential for emergent problems on the canals and the importance of a prompt response to avert an uncontrolled release of water, EWEB has installed a Hazard Mitigation Control

Systems (HMCS) on both the Leaburg and Walterville Canals. Figure 4 shows a solar-powered HMCS monitoring station along the Leaburg Canal.

Figure 4. HMCS water level monitoring station, Leaburg Canal

The HMCS systems monitor water levels in the canals to confirm that they remain within a normal range. If the water level falls below the normal range (or rises above normal due to a canal blockage), the HMCS will first alarm, and then automatically close the canal intake gates if the condition worsens. In the unlikely event that a leak were to progress to the point of creating an abnormal water level even in the middle of the night, the HMCS ensures a proactive mitigation action without human intervention.

Annual Canal Maintenance and Repairs

The EWEB management team approved an annual O&M budget increase in 2013 that authorized spending a minimum of $100,000 per year for canal repairs. The first round of canal repairs were designed later that year for review and approval by the FERC and in-water work permitting agencies so that the work could be completed during the 2014 annual canal outage. EWEB has continued to design and implement canal repairs during each subsequent year as follows:

- 2014: 500 linear feet near Cogswell Creek on the Leaburg Canal
- 2015: 100 linear feet near Johnson Creek on the Leaburg Canal
- 2016: 520 linear feet near Rawhide Creek on the Walterville Canal
- 2017: 120 linear feet near Johnson Creek on the Leaburg Canal

Construction timing for the repair work is constrained by several factors. Primary factors are the dependency of the McKenzie Hatchery and irrigators on the canals for water supply. The McKenzie

Hatchery can only tolerate a drawdown of the Leaburg Canal during the wet weather season. The hatchery's alternative water supply from Cogswell Creek generally becomes inadequate in May. Irrigators along the Walterville Canal typically need the canal full by late June to maintain their crops. Within these seasonal constraints, EWEB needs to find a dry weather period to complete the precipitation-sensitive earthwork. The canal repair contracts are set up to require contractor mobilization on short notice in order to take advantage of favorable weather conditions when they appear. Staff experience to date indicates that the duration of dry weather windows during the wet weather season doesn't permit much more than the currently targeted volume of earthwork at a given site. As a side note, EWEB completes annual maintenance on the fish screens and other activities that require a canal drawdown at the same time that the canal repairs are underway.

The linear footage of canal bank that can be improved in a given year is dependent on how much of the interior slope of the canal is targeted for repair. If monitoring data indicate that the seepage is originating in the upper portion of the embankment and a relatively shallow repair design is expected to suffice, the linear footage of repair will be greater than if monitoring data indicates that the seepage is sourced deep on the canal and coffer damming will be required to complete the repairs. Figure 4 shows relatively shallow repair work underway in 2014 and Figure 5 shows a deep repair in progress with a hydraulic cofferdam system.

Figure 4. Shallow canal slope repairs, Leaburg Canal 2014

The effectiveness of canal repairs completed to date, in terms of reduction in seepage, has been variable. While the 2015 and 2016 repairs were highly effective at reducing seepage, the effectiveness of the 2014 and 2017 canal repairs was marginal. This variability is indicative of the

inherent trickiness of sleuthing out the source of a water leak. Correctly identifying a needle-in-the-haystack type seepage source is tricky and may require multiple repair attempts to resolve.

Figure 5. Deep canal slope repairs with coffer dam, Leaburg Canal 2015

It is important to note that even marginally effective canal repairs yield valuable improvement to the canals. The canals are home to a number of rodent species including nutria, beaver, otter, and muskrat which might try to burrow into any exposed soils below the waterline of the canals. By restoring the coverage of rip rap on the interior slopes of the canal, EWEB effectively armors the canals against rodent burrowing. The improved armoring also protects the underlying soils of the canal embankments from scour.

Prioritization of Canal Repairs

Each fall, EWEB generation staff review the latest seepage monitoring data and surveillance information in order to select a portion or portions of the canal embankments for repair during the next year's annual canal outage. The following are the main considerations in order of importance that influence EWEB's prioritization of the canal repairs:

1. Seepage areas of concern that have been observed to be worsening.
2. Risk ranking for stable seepage areas:
    a. Perceived likelihood of failure
    b. Consequence of failure
3. In cases where the risk ranking is equal, the lower cost repair area may be prioritized if a delay in addressing the competing repair area is acceptable.

In the event that the cost to repair the priority seepage areas exceeds the baseline annual O&M budget allocation of $100,000, EWEB staff know that they have the ability to request additional funding from contingency reserves.

Requested Board Action

Information only, no Board action requested.

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

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

Electric Utility Budgets		Water Utility Budgets	
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

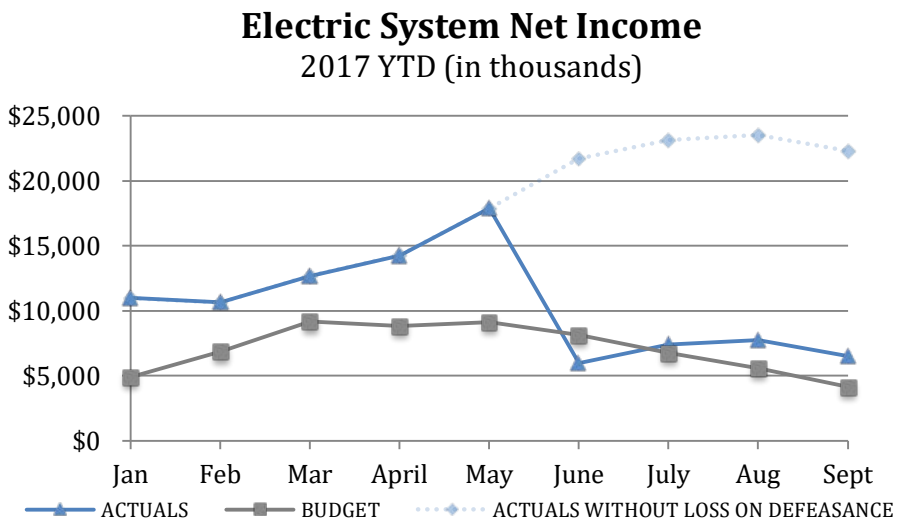
Electric Schedule of Revenues, Expenses, and Changes in Net Position (Income Statement) – Appendix B, page 1

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:

		Millions
• 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 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.

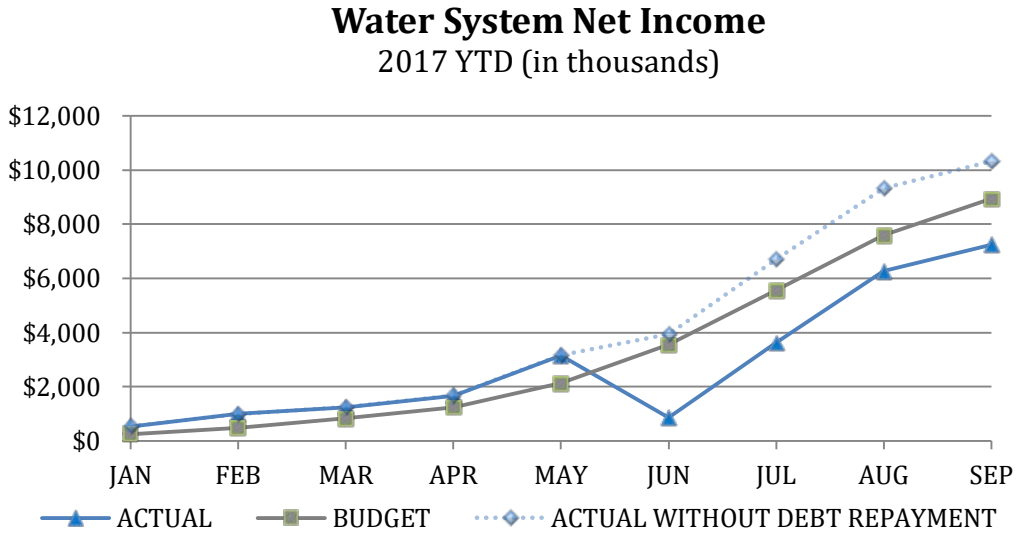
Water Utility

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.

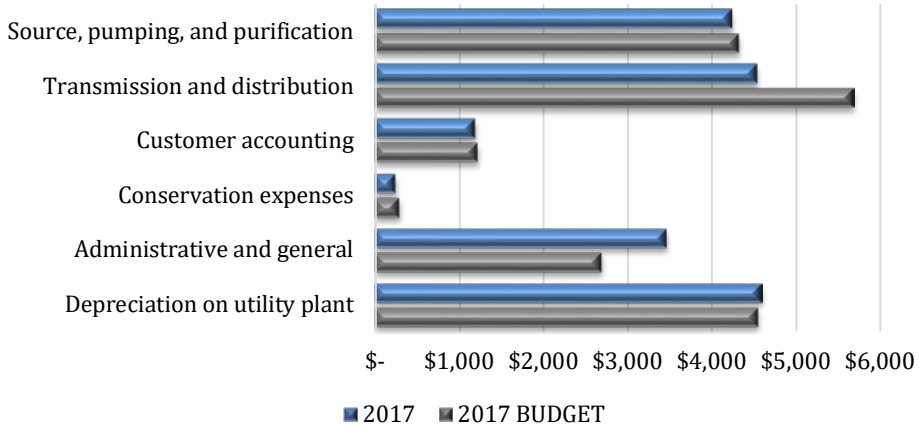


Water Operating Revenues
For purposes of analysis, the revenue budget has been modified to reflect seasonal fluctuations. **Residential** and **Commercial and industrial** sales to water customers are collectively in line with the YTD seasonally-shaped budget. **Sales for resale and other** includes 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			YTD Budget Comparison			
	9/30/2017	9/30/2016	Annual Working Budget	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

	2017	2016	December 2016
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	323,506,356	327,283,164	338,049,430
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	352,025,357	347,849,961	350,366,102
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
Prepaids	6,707,216	6,597,330	7,483,244
Total current assets	231,363,482	202,314,133	153,169,755
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	97,536,772	119,882,974	176,234,939
Deferred Outflows			
Deferred outflows of resources	54,498,283	17,082,812	57,024,020
Total Assets and Deferred Outflows	$ 735,423,894	$ 687,129,880	$ 736,794,816
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	30,343,479	34,300,255	45,080,230
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	331,469,635	282,216,916	342,180,277
Deferred Inflows			
Deferred Inflows of resources	4,872,730	10,215,116	7,293,921
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	399,081,529	394,697,848	387,320,618
Total Liabilities, Deferred Inflows, and Net Position	$ 735,423,894	$ 687,129,880	$ 736,794,816

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

	Current Month	Year to Date	Annual Working Budget w/Amendment	% of Budget
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	1,040,924	8,812,150	12,427,000	70.9%
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	421,102	4,083,627	11,199,000	36.5%
Type 3 Capital				
Carmen-Smith Re-license	438,975	3,835,554	11,700,000	32.8%
Total Type 3 Capital	438,975	3,835,554	11,700,000	32.8%
Total Capital before CIA	2,558,695	18,606,164	35,326,000	52.7%
Contribution in aid	(68,949)	(4,008,931)	(3,219,000)	124.5%
Grand Total	$ 2,489,746	14,597,233	$ 32,107,000	45.5%

[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.

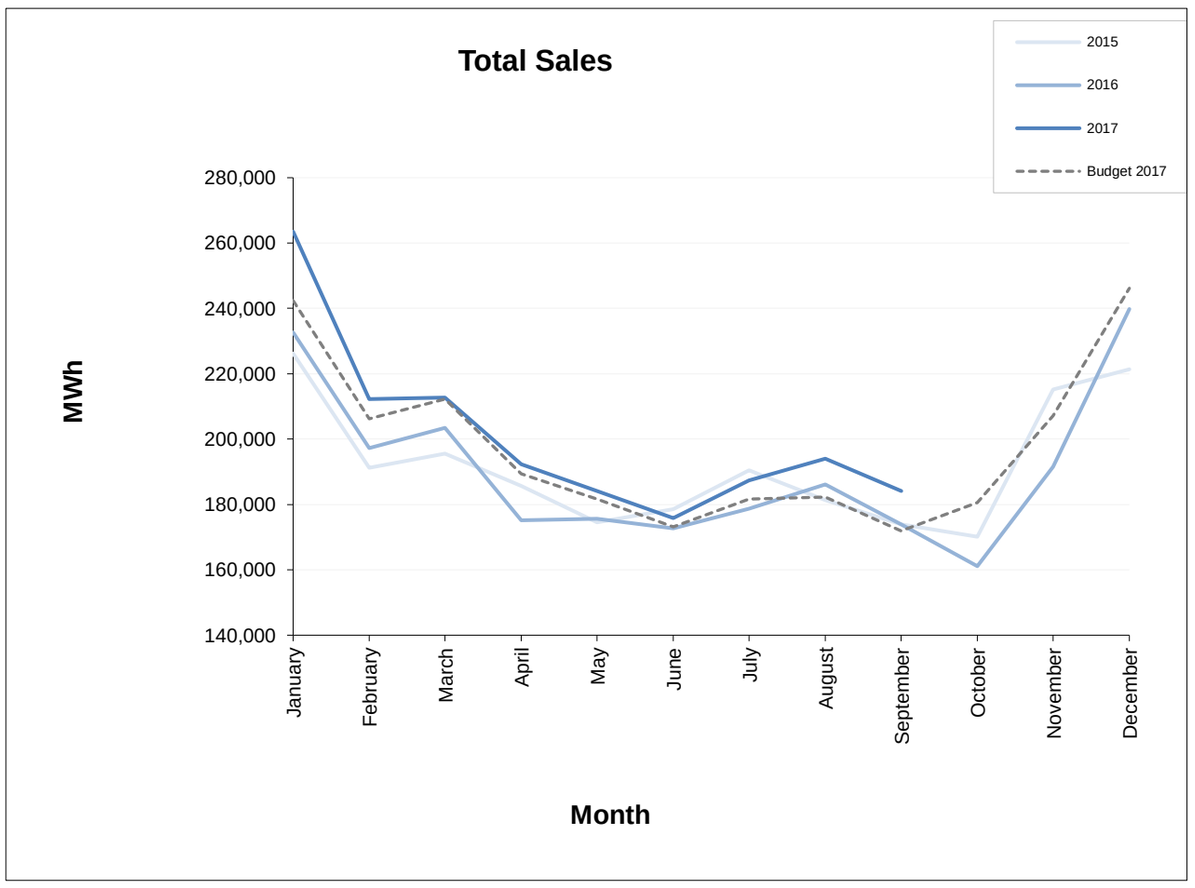
Days Unrestricted Cash
Ratio of total unrestricted cash and cash equivalents to average daily cash requirements for operating expenses (defined as yearly budgeted operating expenses net of depreciation divided by 365 days in the year). This figure measures the length of time the utility can carry on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

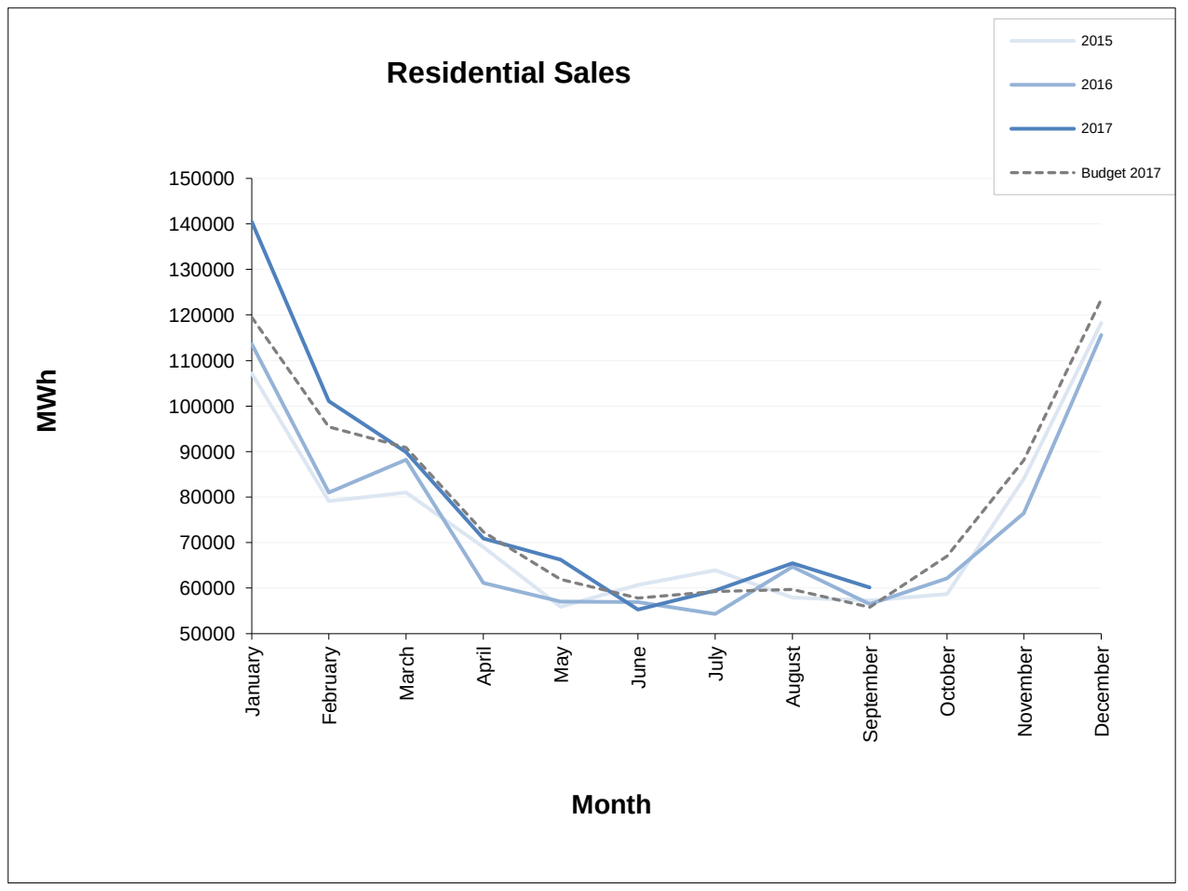
Total Electric Utility Sales in MWh

	2015	2016	2017	Budget 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	2,304,326	2,288,057	1,806,310	2,374,772



Residential Sales in MWh

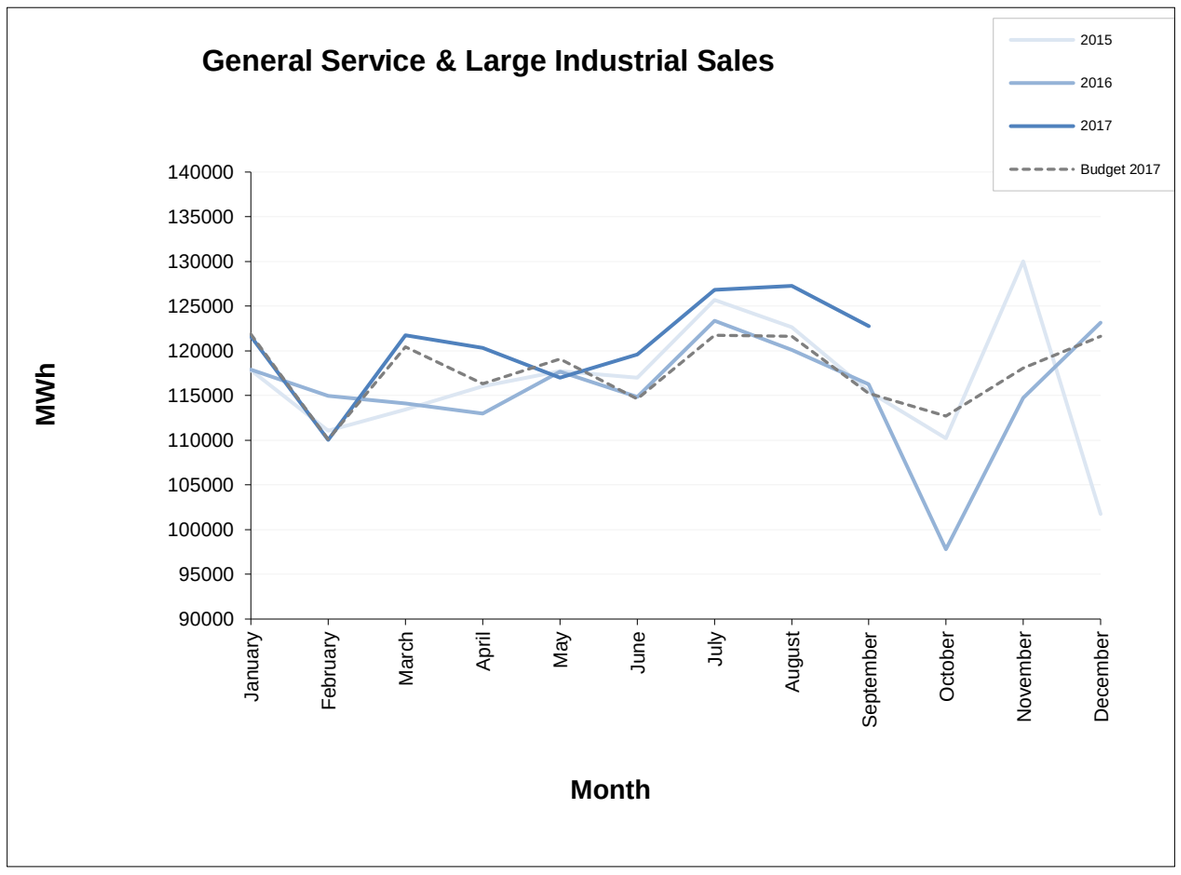
	2015	2016	2017	Budget 2017
January	107,136	113,589	140,471	119,472
February	79,168	80,958	101,102	95,404
March	81,006	88,256	89,865	90,902
	267,310	282,803	331,439	305,778
April	69,023	61,190	70,920	72,327
May	55,898	57,055	66,270	61,890
June	60,721	56,918	55,295	57,821
	185,642	175,163	192,485	192,038
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	893,002	887,738	709,019	951,106



Electric Utility Sales in MWh
September 2017

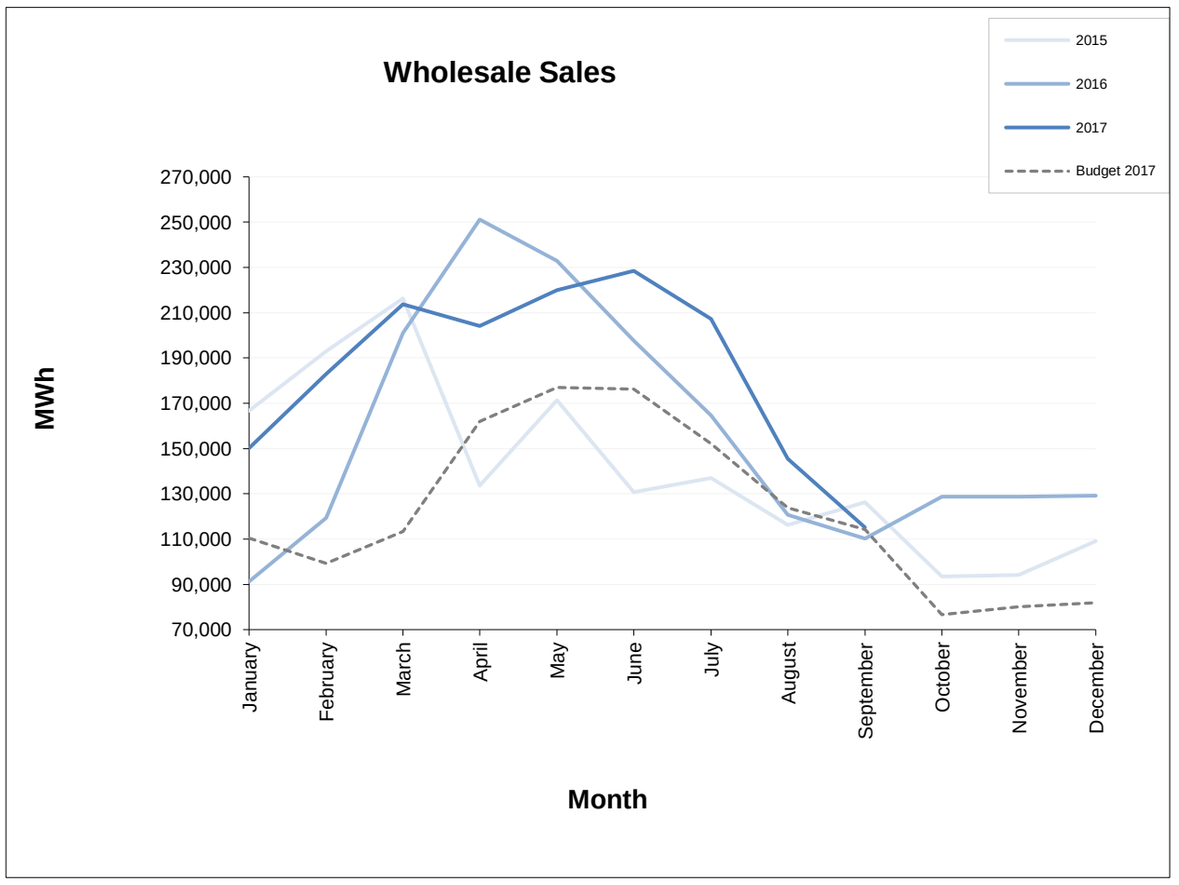
General Service & Large Industrial Sales in MWh

	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
	342,420	346,962	353,429	352,412
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
	350,795	345,491	356,920	350,063
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
	363,804	359,717	376,863	358,615
October	110,229	97,802	0	112,698
November	130,010	114,712	0	118,066
December	101,752	123,126	0	121,635
	341,991	335,640	0	352,399
Total	1,399,010	1,387,810	1,087,212	1,413,489



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
	575,755	411,438	546,895	322,958
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
	435,854	681,793	652,689	515,224
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
	379,571	395,568	467,872	390,256
October	93,491	128,793	0	76,632
November	94,117	128,802	0	80,031
December	109,166	129,274	0	81,840
	296,774	386,869	0	238,503
Total	1,687,954	1,875,668	1,667,456	1,466,941



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

	Prior Year Comparison			YTD Budget Comparison		
	9/30/2017	9/30/2016	Annual Working Budget	Budget $	Budget %	Budget Variance
Residential	$ 15,993,237	$ 16,200,666	$ 20,405,566	$ 16,113,000 [1]	99%	$ (120,000)
Commercial and industrial	11,332,470	10,973,921	13,925,378	10,901,000 [1]	104%	431,000
Sale for resale	1,567,506	1,559,279	1,983,128	1,497,000 [1]	105%	71,000
Other	1,244,979	1,229,181	1,466,002	1,100,000	113%	145,000
Operating revenues	30,138,192	29,963,047	37,780,074	29,611,000		527,000
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	18,276,122	17,525,674	25,039,496	18,780,000	97%	504,000
Net operating income	11,862,070	12,437,373	12,740,578	10,831,000	110%	1,031,000
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	488,101	360,702	402,170	301,000	162%	187,000
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	5,096,211	2,594,975	2,918,483	2,189,000	233%	(2,907,000)
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	$ 9,684,052	$ 12,572,818	$ 11,769,265	$ 10,102,000	96%	$ (418,000)

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

	2017	2016	December 2016
Assets			
Capital assets			
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	165,348,937	159,432,214	160,505,824
Current assets			
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	52,100,148	56,735,997	45,562,156
Non-current assets			
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	4,218,282	2,437,179	17,836,993
Deferred Outflows of Resources			
Deferred Outflows of Resources	11,412,827	3,689,086	11,561,575
Total Assets & Deferred Outflows	$ 233,080,194	$ 222,294,476	$ 235,466,548
Liabilities			
Current liabilities			
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	4,096,110	4,604,222	5,973,675
Non-current liabilities			
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	89,115,008	89,247,461	101,185,413
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	142,955,754	131,117,270	133,271,703
Total Liabilities, Deferred Inflows & Net Position	$ 233,080,194	$ 222,294,476	$ 235,466,548

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

	Current Month	Year-to-Date	Annual Working Budget	% of Budget
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	511,453	5,899,266	9,031,355	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	42,212	846,802	3,507,000	24.1%
Type 3 Capital				
Source Of Supply	(63,917)	1,602,973	1,830,000	87.6%
Total Type 3 Capital	(63,917)	1,602,973	1,830,000	87.6%
Total Capital before CIA	574,174	8,706,640	14,368,355	60.6%
Contributions in aid	(41,495)	(670,626)	(1,133,000)	59.2%
Grand Total	$ 532,679	$ 8,036,014	$ 13,235,355	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

	YTD 2017	Status	December 2016	PERFORMANCE STANDARD
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.

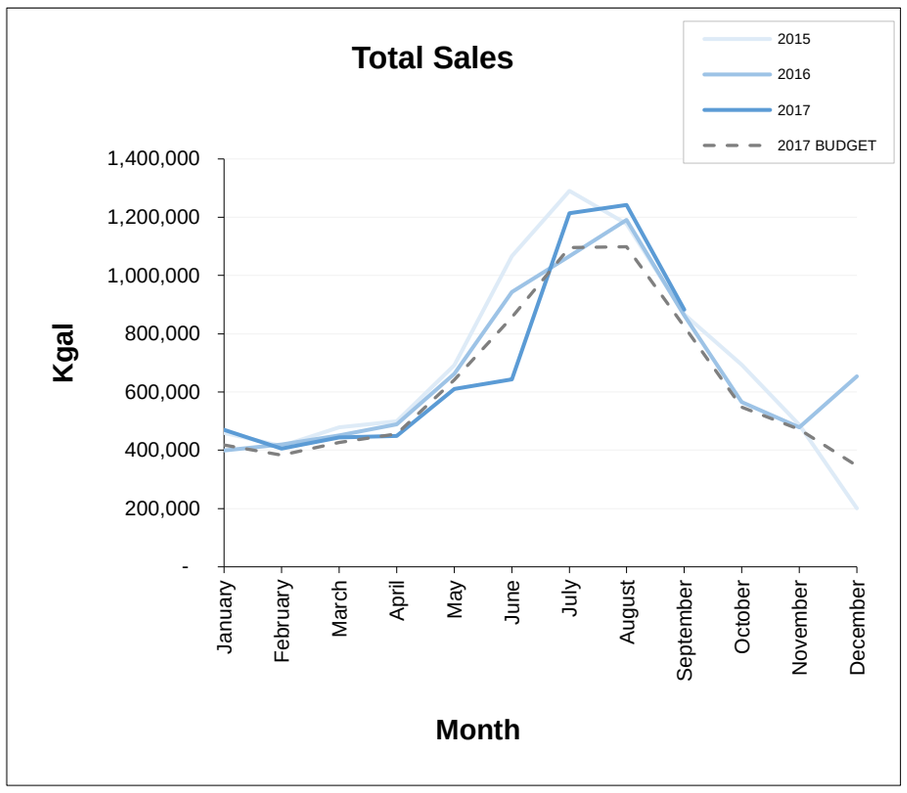
Days Unrestricted Cash
Ratio of total unrestricted cash and cash equivalents to average daily cash requirements for operating expenses (defined as yearly budgeted operating expenses net of depreciation divided by 365 days in the year). This figure measures the length of time the utility can carry on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

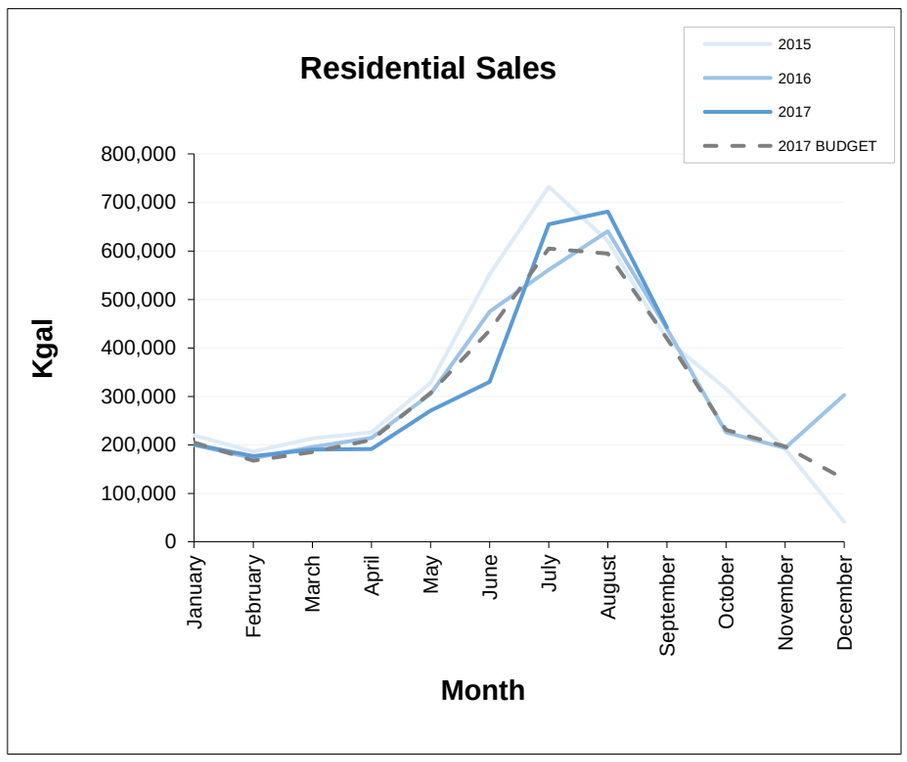
Total Water Sales in Kgal

	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	8,127,510	8,181,800	6,361,720	7,568,552



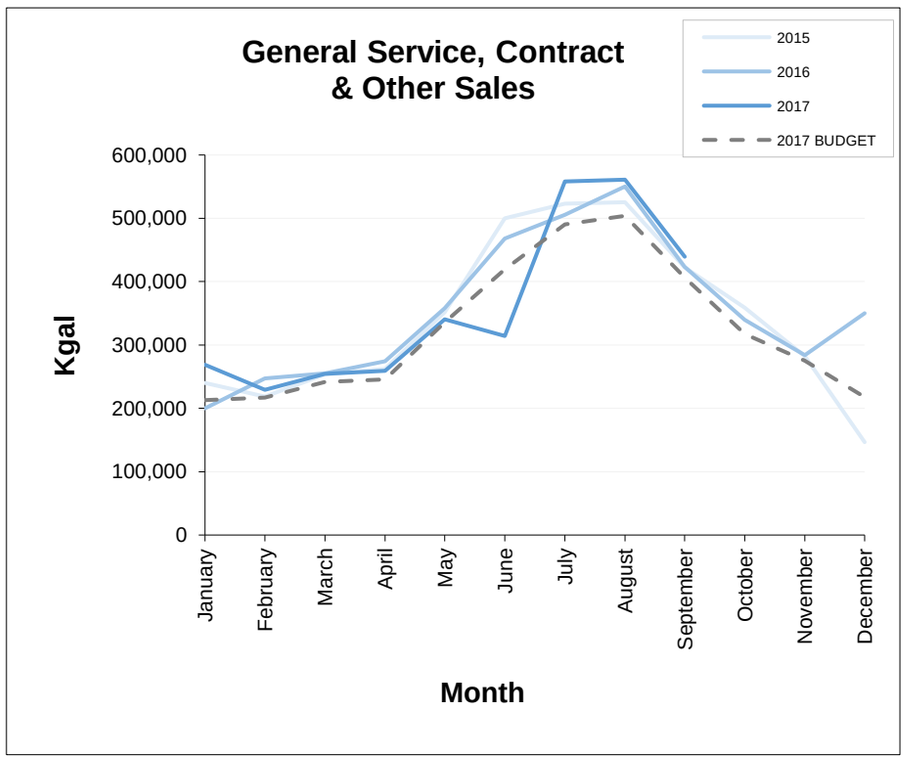
Residential Sales in Kgal

	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	4,042,152	3,925,630	3,136,803	3,684,423



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	4,085,358	4,256,170	3,224,917	3,220,086



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:	October 27, 2017
SUBJECT:	Quarterly Contract Report for Q3 2017
OBJECTIVE:	Information Only

Issue

EWEB Public Contracting Rule 2-0150 and the Board Policy EL2, Purchasing Controls define the process for contract approval and Board reporting.

Background

In August 2017, the Board approved the current approval and reporting process and thresholds. Current Board approval thresholds via Board Consent Calendar are for contracts where the value of the Goods, Services, Personal Services, Construction, or Equipment meet or exceed $150,000.

Current quarterly reporting thresholds are for contracts where the value of the Goods, Services, Personal Services, Construction, or Equipment are between $40,000 and $150,000.

Discussion

Attached is the contract report for the third quarter of 2017 for contracts between $40,000 and $150,000.

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

Contract Execution	Contractor	City, State	Description	Contract Amount	Contract Term	Contract Process	ET Manager
8/22/2017	Professional Training Systems Inc.	Portland, Oregon	Electric Utility System Operations Training	$ 100,000.00	9/1/2022	Direct Negotiation	Lena Kostopulos
7/27/2017	Mycoff, Fry & Prouse LLC	Conifer, Colorado	Professional Executive Search and Recruitment Services for Chief Energy Resources Officer	48000+ allowable expenses	3/31/2018	Direct Negotiation	Lena Kostopulos
10/1/2017	Itron Inc.	Liberty Lake, Washington	Itron Mobile Radios & Implementation	$ 68,611.00	9/30/2018	Direct Negotiation	Matt Barton
9/6/2017	Navigant Consulting Inc	Folsom, California	NERC Compliance Assessment	$ 115,000.00	9/6/2018	Formal RFP	Rod Price
9/5/2017	Stettler Supply Company	Salem, Oregon	HB Headhouse Structural Improvements	$ 109,205.00	12/31/2017	Formal ITB	Mel Damewood
8/3/2017	Bank of the Cascades in partnership with Retail Lockbox Inc	Bend, Oregon	In-House Remittance	$ 50,000.00	8/2/2022	Formal RFP	Sue Fahey
7/27/2017	YSI Inc	San Diego, California	Acoustic Doppler Velocity Meters	$ 49,188.00	7/26/2022	Informal Quotes	Mel Damewood
7/20/2017	North Coast Electric	Eugene, Oregon	Dillard 975 Pump Station Equipment Purchase	$ 63,358.00	One-Time Purchase	Informal Quotes	Mel Damewood
9/28/2017	Lac Mac Limited	Ontario, Canada	Price Agreement - Fire Retardant Raingear	NTE $150,000	9/27/2022	Informal Quotes	Rod Price
6/30/2017	Motorola Solutions	Schaumburg, IL	Motorola two-way radios	$ 126,903.50	One-Time Purchase	Sole Source	Rod Price
8/3/2017	Power Engineering	Portland, Oregon	Design for Stone Creek-Oak Grove Circuit Breaker & Line Relaying Replacement	$ 47,000.00	11/30/2017	Direct Negotiation	Mike McCann
7/28/2017	Landis Consulting	Salem, Oregon	Hayden Bridge Standby Power Improvements - Electric Engineering	$ 81,450.00	8/31/2018	Direct Negotiation	Mel Damewood
9/26/2017	Black & Veatch	Lake Oswego, Oregon	EWEB System Resiliency Islanding Study	$ 78,519.00	3/1/2018	Direct Negotiation	Rod Price
6/21/2017	SSP Innovations	Centennial, CO	GIS Consulting Services and Responder Training	$ 60,785.50	6/21/17 to 12/31/17	Direct Negotiation	Matt Barton

EWEB association for all above contracts = None

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:	Nicholas Nevins, Engineering Technician
DATE:	October 4, 2017
SUBJECT:	Standards of Conduct for Economic Development Administration (EDA) Grant
OBJECTIVE:	Information Only

Board Policy GP6 provides that Commissioners shall follow federal ethics requirements and laws when administering any Federal Grant awarded to EWEB. The following information will enable compliance with the standards of conduct requirement of the EDA grant, presently funding the installation of the downtown fiber optic network. A similar memo will be provided for each federal grant awarded to EWEB.

CONFLICTS OF INTEREST:

A conflict of interest generally exists when an *interested party* participates in a matter that has a direct and predictable effect on the *interested party*'s personal or financial interests. A conflict may also exist where there is an appearance that an *interested party*'s objectivity in performing his or her responsibilities under the project is impaired. Additionally, a conflict may result from non-financial gain to an *interested party*, such as benefit to reputation or prestige in a professional field.

An *interested party* may not use their position for a purpose that constitutes or presents the appearance of personal conflicts of interest or of personal gain in the administration of an award. An *interested party* must not receive any direct or indirect financial or personal benefits in connection with this award.

EWEB must disclose to EDA, in writing, any potential conflict of interest.

GIFTS:

An *interested party* also shall not, directly or indirectly, solicit or accept any gift, gratuity, favor, entertainment or other benefit having monetary value, for himself or herself or for another person or entity, from any person or organization which has obtained or seeks to obtain Investment Assistance from EDA.

DEFINITIONS:

Interested Party: Any officer, employee or member of the Board. An *interested party* includes that person's *immediate family* and other persons directly connected to the *interested party* by law or

through a business arrangement.

Immediate Family: A person's spouse (or domestic partner or significant other), parents, grandparents, siblings, children and grandchildren, but does not include distant relatives, such as cousins, unless the distant relative lives in the same household as the person.

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO:	Commissioners Helgeson, Brown, Mital, Simpson and Carlson
FROM:	Karl Morgenstern, Water Quality Lab & Source Protection Supervisor
DATE:	October 24, 2017
SUBJECT:	Standards of Conduct for U.S. Endowment Grant
OBJECTIVE:	Information Only

Board Policy GP6 provides that Commissioners shall follow federal ethics requirements and laws when administering any Federal Grant awarded to EWEB. The following information will enable compliance with the standards of conduct requirements of the U.S. Endowment Grant, funded by the U.S. Environmental Protection Agency (EPA) and USDA Natural Resources Conservation Service (NRCS). Funds from this grant will develop a McKenzie Watershed Conservation Fund with Cascade Pacific Resource Conservation Service (a 501(c)3 nonprofit entity) as the fiscal manager of the Fund. Establishing a Watershed Conservation Fund will allow efficient management of multiple funding sources for McKenzie watershed restoration and/or protection work on the ground. A similar memo will be provided for each federal grant awarded to EWEB.

CONFLICTS OF INTEREST:

No employee, officer or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer or agent, any member of his or her *immediate family*, his or her partner, or an organization which employs or is about to employ any of the parties above, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

RESPONSE TO CONFLICT OF INTEREST:

EWEB must disclose in writing any potential conflict of interest to EPA or the pass-through entity (U.S. Endowment) within 30 calendar days of discovery. Any notification in writing is preferred through email communication. The disclosure must include any information regarding measures to eliminate, neutralize, mitigate or otherwise resolve the conflict. Within 30 days of disclosure, EPA will review the conflict notification and advise EWEB of EPA's determination on the effectiveness of the measures.

GIFTS:

The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the

gift is an unsolicited item of nominal value.

DEFINITIONS:

Immediate Family: Spouse, spouse's parents, children, children's spouses, parents, parents' spouses, siblings, siblings' spouses, grandparents, grandparents' spouses, grandchildren, grandchildren's spouses, domestic partner, domestic partner's parents, domestic partners of any individual listed here; and any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.