



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Cathy Bloom, Finance Manager
Susan Eicher, General Accounting and Treasury Supervisor
DATE: November 20, 2013
SUBJECT: Third Quarter 2013 Financial Report
OBJECTIVE: Information only

Issue

This memo provides a summary of operating results for the third quarter of 2013.

Background

This information is provided to the Board on a quarterly basis to report the ongoing financial performance of both utilities. Below are key highlights relating to the attached reports.

Discussion

Electric Utility:

Net Income:

The 2013 budget, after budget amendments through September, anticipates net income at year end of \$400 thousand. Year to date net income was \$16.9 million, an increase of \$8.5 million from last year, with \$1.4 million of the difference from last year attributable to an increase in operating revenues, \$2.4 million from decreases in operating expenses, \$3.3 million due to an increase in non-operating income, and \$1.2 million from a decrease in non-operating expenses. The projection for year-end net income is \$21.8 million.

Operating Revenue:

At the end of the third quarter, electric retail sales were \$2.4 million more than in 2012, and over all classes, was 2.72% under the seasonally shaped budget, and are projected to end the year slightly under budget. Total retail electric consumption was 0.75% less than 2012 and 1.42% less than budget.

Wholesale and other sales were \$5.1 million more than last year at this time, and were \$660 thousand under the seasonally adjusted budget. Sales volume was down 23.3% from last year and prices remain low compared to pre-recession prices, but overall wholesale revenue was up 9.1% from 2012. Wholesale and other sales combined have increase by 13.3%. Other sales include services and sales of RECs. The budget assumes streamflows of 90% of normal. Through September, actual streamflows were 96.2%. The projection for year end is 96.3%.

Operating Expenses:

Operating expenses were \$2.4 million less than last year at this time and were at 70.5% of budget. At this time in 2012, operating expenses were 75.8% of budget. Cost savings measures implemented in 2012, including cuts to programs and to staff have resulted in operating expense decreases compared to 2013. The largest decreases were \$1.2 million in transmission and distribution, \$1.8 million in conservation, and \$3.4 million in administrative and general expenses. The only operating expense that increased over last year was purchased power, which was up by \$6.6 million.

The budget assumed that a onetime payment of \$5.1 million would be expensed in 2013. Instead, based upon a review of the accounting treatment, this payment will be recognized over 20 years. The amount to be recognized as expense for 2013 will be approximately 1.1 million for the electric utility.

The methodology for accounting for CILT has changed. Retail and wholesale revenue are now reflected net of the CILT collected in rates to remit to the City and not as an expense line on the income statement.

Contribution Margin:

Contribution Margin (CM) is the net of CM revenues and expenses. It is meant to express the amount that power activity contributes to supporting the fixed costs of the utility. CM revenue is made up of retail and wholesale sales plus other miscellaneous power revenue. CM expenses are purchased power, transmission, and fuel for International Paper generation. The CM realized through September was \$2.0 million better than budget. At this time, the year-end forecast shows a positive variance at year-end of \$4.9 million.

Cash and Reserves Balances:

Working cash is above target and all other reserves are at or higher than target as of the end of September. Working cash target was increased to \$24 million and the current balance includes the positive contribution margin variance for 2013, and the receipt of distributions based on our equity interest in Harvest Wind. In addition, expenses in many areas are well under budget.

Financing:

The electric utility budgeted to issue bonds in 2013. However, funding of pension costs are now expected in 2015 from reserves instead of borrowing.

Water Utility**Net Income:**

Water utility net income at year end was budgeted to be \$3.9 million. Net income is generally higher in the summer months and lower or even a net loss in the fall and winter months. Year to date net income was \$7.9 million, compared to \$2.8 million at this time last year. The budget assumed consumption of 7.4 million Kgal, but projections now are for yearly consumption to be 7.8 million Kgal.

Operating Revenue:

At the end of the third quarter, operating revenues were \$5.2 million higher than the previous year and about \$327 thousand above the seasonally adjusted budget. Sales have increased compared to last year at this time due to the May 2012 and February 2013 rate increases and the increase in consumption due to the warmer than usual spring weather. Pumping volume was also up about 1.4% over 2012 levels.

Operating Expenses:

Operating expenses were \$452 thousand higher than last year and were at 66.5% of budget. On average, year to date activity should be approximately 75% of the yearly budget. At this time in 2012, operating expenses were 71.0% of budget. All operating expense categories except for transmission and distribution and depreciation were below budget.

Contribution Margin:

Contribution Margin (CM) is the net of CM revenues and expenses. It is meant to express the amount that water sales activity contributes to supporting the fixed costs of production. CM revenue is made up of residential, commercial and industrial plus other miscellaneous sales, including sales to water districts. CM expenses are source of supply, pumping and purification. At this time, the year-end forecast shows a positive variance of \$2.5 million due primarily to better than projected in operating revenue and production costs running less than budget.

Cash and Reserves Balances:

Working cash as of September was \$3.8 million, slightly above the year-end target level of \$3.4 million. General cash levels are projected to meet the targeted level of \$3.4 million by year end. The capital improvement reserve and operating/self insurance fund are projected to end the year under target.

Recommendation

There is no specific recommendation or requested action.

**Eugene Water & Electric Board
Cash Targets & Balances
September 30, 2013**

CASH ACCOUNT	FINANCIAL POLICY REFERENCE	ELECTRIC SYSTEM			WATER UTILITY		
		TARGET FLOOR	TARGET CEILING	BALANCE 09/30/2013	TARGET FLOOR	TARGET CEILING	BALANCE 09/30/2013
RESERVES							
1) Operating Reserve	Rate Stability Policy	\$ 1,000,000	\$ -	\$ 1,016,227	\$ 1,000,000	\$ -	\$ -
2) Self-Insurance Reserve	Rate Stability Policy	1,720,000	-	1,755,338	280,000	-	285,679
3) Power Reserve	Rate Stability Policy	13,200,000	-	13,318,800	-	-	-
4) Capital Improvement Reserve	Capital Reserve Policy	7,500,000	18,000,000	14,466,370	3,500,000	7,000,000	1,637,176
RESERVES TOTAL		\$ 23,420,000	\$ 18,000,000	\$ 30,556,735	\$ 4,780,000	\$ 7,000,000	\$ 1,922,855
DESIGNATED FUNDS (a)							
5) Unallocated Power Fund		-	-	21,793,774	-	-	-
Water Stewardship Fund- Septic Repairs		-	-	-	-	-	86,772
Economic Development Loan Pilot Program Fund		-	-	1,940,287	-	-	-
Steam Transition Fund		-	-	1,669,462	-	-	-
Riverfront Master Plan Make-Ready Fund		-	-	361,046	-	-	-
Carmen-Smith Fund		-	-	20,020,051	-	-	-
6) Pension & Post Retirement Medical Fund		-	-	4,038,033	-	-	-
DESIGNATED FUNDS TOTAL		\$ -	\$ -	\$ 49,822,653	\$ -	\$ -	\$ 86,772
CASH FOR OPERATIONS							
7) Working Cash	Rate Sufficiency Policy	24,000,000	-	36,035,137	3,400,000	-	3,882,942
CASH TARGETS & BALANCES TOTAL		\$ 47,420,000	\$ 57,920,000	\$ 116,414,525	\$ 8,180,000	\$ 11,680,000	\$ 5,892,568
LEGALLY RESTRICTED (b)							
8) Bond Funds - Type II & III				26,771,546			8,659,493
System Development Charge Reserves				-			1,282,218
Reserves for Debt Service				9,333,522			2,367,336
Contribution in Aid				797,253			-
RESTRICTED FUNDS TOTAL				\$ 36,902,322			\$ 12,309,048

Financial Policy - Total Targets included in ceiling

- 1) Operating Reserve - for emergency operating costs.
- 2) Self-Insurance Reserve - reserve to pay for claims incurred during the year and target is based on the \$2 million self-insurance coverage limit.
- 3) Power Reserve - amount of reserves to offset fluctuations in purchased power costs related to market price variability, uncertainty in regard to hydro generation, customer load and annual budgeted reserve draws.
- 4) Capital Improvement Reserve - reserve for capital improvements and target is based on one years depreciation.
- 5) Unallocated Power Fund - funds available for one time expenditures. To be allocated based on Board direction.
- 6) No Target - Amount designated to fund Supplemental Retirement Plan, and PERS or OPEB Trust.
- 7) Working Cash - amount of cash needed to pay for ongoing operational costs during the year.

Notes:

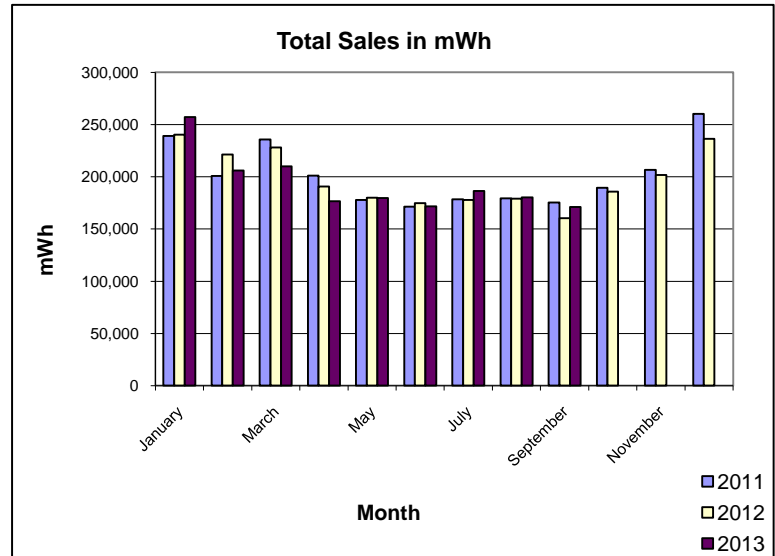
(a) Designated funds are used for one time expenditures.

(b) Legally restricted funds have an external legal requirement that the funds be spent for a specific purpose.

Electric Utility Sales in mWh September 2013

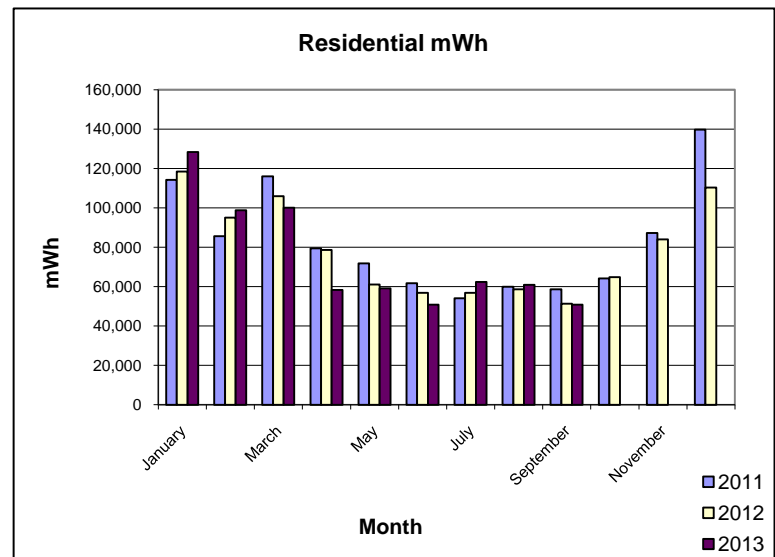
Total Electric Utility Sales in mWh

	2011	2012	2013
January	239,069	240,373	257,093
February	200,719	221,301	206,073
March	235,734	228,123	209,892
Q1 total	675,522	689,797	673,058
April	200,943	190,510	176,531
May	177,764	179,943	179,544
June	171,248	174,557	171,487
Q2 total	549,955	545,010	527,562
July	178,219	177,718	186,179
August	179,347	178,883	180,320
September	175,166	160,149	170,968
Q3 total	532,732	516,750	537,467
October	189,411	185,806	0
November	206,689	201,486	0
December	260,167	236,220	0
Q4 total	656,267	623,512	0
Annual total	<u>2,414,476</u>	<u>2,375,069</u>	<u>1,738,087</u>



Residential Sales in mWh

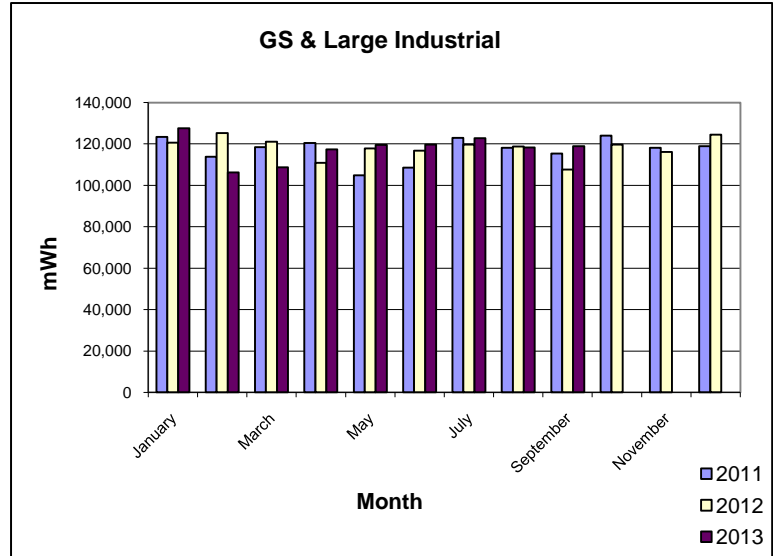
	2011	2012	2013
January	114,131	118,374	128,308
February	85,600	94,954	98,751
March	115,985	105,964	100,089
Q1 total	315,716	319,292	327,148
April	79,380	78,633	58,331
May	71,871	61,146	59,174
June	61,796	56,895	50,849
Q2 total	213,046	196,674	168,354
July	54,146	56,933	62,311
August	60,009	58,651	60,936
September	58,594	51,328	50,898
Q3 total	172,749	166,912	174,145
October	64,093	64,742	0
November	87,202	83,974	0
December	139,741	110,327	0
Q4 total	291,036	259,043	0
Total	<u>992,547</u>	<u>941,921</u>	<u>669,647</u>



Electric Utility Sales in mWh September 2013

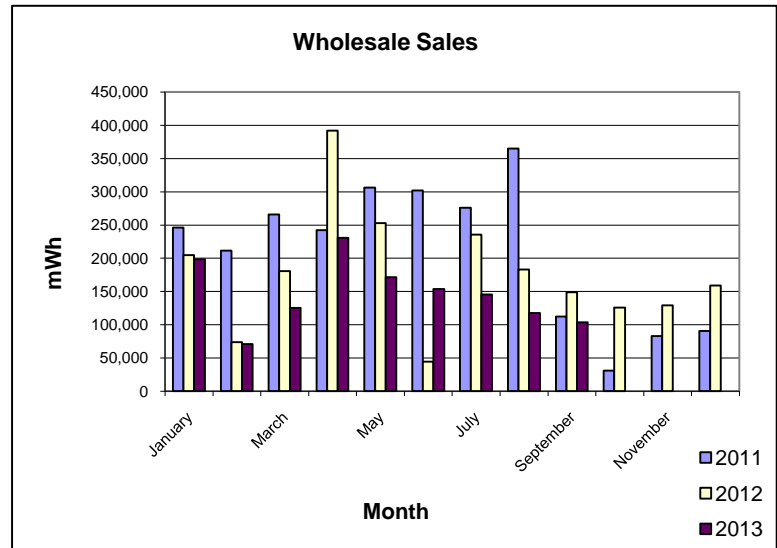
General Service & Large Industrial Sales in mWh

	2011	2012	2013
January	123,497	120,705	127,580
February	113,931	125,266	106,201
March	118,555	121,056	108,764
	<u>355,983</u>	<u>367,027</u>	<u>342,545</u>
April	120,566	110,882	117,486
May	104,907	117,887	119,518
June	108,535	116,739	119,787
	<u>334,009</u>	<u>345,508</u>	<u>356,791</u>
July	123,060	119,760	122,885
August	118,143	118,835	118,305
September	115,373	107,697	118,943
	<u>356,576</u>	<u>346,292</u>	<u>360,133</u>
October	124,091	119,782	0
November	118,187	116,238	0
December	119,018	124,563	0
	<u>361,296</u>	<u>360,583</u>	<u>0</u>
Total	<u><u>1,407,864</u></u>	<u><u>1,419,410</u></u>	<u><u>1,059,469</u></u>



Total Wholesale Sales in mWh

	2011	2012	2013
January	245,899	204,606	198,192
February	211,448	73,597	70,543
March	265,627	180,645	124,994
	<u>722,974</u>	<u>458,848</u>	<u>393,729</u>
April	242,042	391,978	230,512
May	306,075	252,453	171,488
June	301,715	44,137	153,436
	<u>849,832</u>	<u>688,568</u>	<u>555,436</u>
July	275,918	235,240	145,163
August	364,598	183,066	117,527
September	112,016	148,673	103,682
	<u>752,532</u>	<u>566,979</u>	<u>366,372</u>
October	30,594	125,449	0
November	82,963	128,963	0
December	90,419	158,694	0
	<u>203,976</u>	<u>413,106</u>	<u>0</u>
Total	<u><u>2,529,314</u></u>	<u><u>2,127,501</u></u>	<u><u>1,315,537</u></u>
Generation %	83%	106%	96%



Eugene Water and Electric Board
Electric System
Statement of Net Position
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>December 2012</u>
Assets			
<u>Capital assets</u>			
Utility plant in service	\$ 691,231,398	\$ 673,839,296	\$ 684,999,355
Less - Accumulated depreciation	(350,294,413)	(335,805,110)	(336,564,453)
Net utility plant in service	<u>340,936,985</u>	<u>338,034,186</u>	<u>348,434,902</u>
Property held for future use	3,435,734	3,409,801	3,435,734
Construction work in progress	23,243,722	21,348,652	11,818,950
Net utility plant	<u>367,616,441</u>	<u>362,792,639</u>	<u>363,689,586</u>
<u>Current assets</u>			
Cash and cash equivalents	5,486,916	9,327,528	11,813,883
Short-term investments	30,548,222	18,033,971	6,845,739
Restricted cash and investments			
Debt service reserve	9,333,522	7,328,084	9,330,357
Customer deposit reserve	5,387,435	4,846,196	4,440,970
Harvest Wind escrow accounts	2,069,336	2,207,950	2,208,608
Construction reserve	27,568,799	18,427,435	31,665,516
Investments for debt service	3,738,386	3,455,348	7,666,057
Designated cash and investments			
Power reserve	13,318,800	19,928,172	18,884,541
Unallocated power fund	21,793,774	13,707,501	12,092,946
Capital improvement reserve	14,466,370	13,722,055	13,340,556
Carmen-Smith fund	20,020,051	813,676	8,490,542
Operating reserve	6,742,359	6,190,311	7,283,429
Pension and medical fund	4,038,033	8,814,950	4,935,602
Receivables, less allowances	24,777,146	24,733,143	32,395,845
Due from Water System	937,882	655,684	830,898
Materials and supplies, at average cost	2,910,437	2,679,399	2,700,210
Prepays	8,290,990	2,334,615	3,472,853
Option premiums, short-term	858,801	1,315,280	1,250,280
Total current assets	<u>202,287,260</u>	<u>158,521,299</u>	<u>179,648,832</u>
<u>Non-current assets</u>			
Prepaid retirement obligation	12,196,705	13,140,965	12,904,900
Long-term receivable, conservation and other	4,700,339	5,283,952	4,975,404
Due from Water System	18,758,114	19,377,280	19,212,750
Long-term investments	-	-	24,101,266
Investment in WGA	1,302,851	678,869	1,802,851
Investment in Harvest Wind	27,463,029	26,974,913	27,304,914
Nonutility Property	7,795,125	5,009,145	7,606,393
Other assets	53,726,504	46,001,454	52,639,381
Total non-current assets	<u>125,942,667</u>	<u>116,466,577</u>	<u>150,547,859</u>

Eugene Water and Electric Board
Electric System
Statement of Net Position
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>December 2012</u>
Deferred Outflows			
Accumulated decrease in fair value of hedging derivatives	<u>725,402</u>	<u>6,725,438</u>	<u>2,431,088</u>
Total Assets and Deferred Outflows	<u>\$ 696,571,771</u>	<u>\$ 644,505,954</u>	<u>\$ 696,317,365</u>
Liabilities			
<u>Current liabilities</u>			
Payables	\$ 15,493,801	\$ 18,565,409	\$ 21,604,137
Accrued payroll and benefits	4,066,887	4,167,621	3,688,205
Accrued interest on long-term debt	2,609,760	2,473,953	4,868,981
Long-term debt due within one year	11,554,644	10,739,167	8,586,582
Total current liabilities	<u>33,725,093</u>	<u>35,946,151</u>	<u>38,747,905</u>
<u>Non-current liabilities</u>			
Long-term debt	295,269,948	262,982,151	306,717,433
Other liabilities	3,700,657	7,092,249	5,131,213
Total liabilities	<u>332,695,697</u>	<u>306,020,551</u>	<u>350,596,551</u>
Deferred Inflows			
Accumulated increase in fair value of hedging derivatives	<u>1,903,633</u>	<u>3,259,647</u>	<u>2,625,350</u>
Net Position			
Net investment in capital assets	157,823,769	176,782,226	152,834,356
Restricted	16,483,000	14,097,248	17,459,188
Unrestricted	187,665,672	144,346,282	172,801,920
Total net position	<u>361,972,441</u>	<u>335,225,756</u>	<u>343,095,464</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 696,571,771</u>	<u>\$ 644,505,954</u>	<u>\$ 696,317,365</u>

Eugene Water & Electric Board
Electric System
Statement of Revenues, Expenses and and Changes in Net Position
for the eight months ended September 30, 2013 and 2012

	<u><u>2013</u></u>	<u><u>2012</u></u>
Residential	\$ 62,868,565	\$ 61,078,458
Commercial and industrial	65,994,347	65,337,032
Sale for resale and other	43,283,133	38,205,892
Regulatory credits - net	-	6,130,377
Operating Revenues	<u>172,146,045</u>	<u>170,751,759</u>
Purchased power	80,776,326	74,207,504
System control	4,422,759	5,017,916
Wheeling	8,898,066	9,264,378
Generation	8,198,120	8,301,682
Transmission and distribution	12,539,228	13,741,153
Customer accounting	6,035,829	6,447,337
Conservation expenses	2,717,243	4,525,374
Administrative and general	13,765,486	17,187,047
Depreciation on utility plant	13,200,348	14,301,831
Operating Expenses	<u>150,553,405</u>	<u>152,994,222</u>
Net Operating Income (Loss)	<u>21,592,640</u>	<u>17,757,537</u>
Investment earnings	712,291	209,338
Interest earnings, Water	871,178	818,451
Allowance for funds used during construction	47,737	40,812
Other revenue	4,367,797	1,601,932
Non-operating Revenues	<u>5,999,003</u>	<u>2,670,533</u>
Other expenses	1,172,176	2,352,591
Interest expense and related amortization	9,606,999	9,726,527
Allowance for borrowed funds used during construction	<u>(39,000)</u>	<u>(32,000)</u>
Other Non-operating Expenses	<u>10,740,175</u>	<u>12,047,118</u>
Income (Loss) Before Capital Contributions	16,851,468	8,380,952
Contributions in aid of construction	2,025,509	894,980
Contributed plant assets	-	12,603
Increase (Decrease) in Net Position	18,876,977	9,288,535
Total net position at beginning of year	<u>343,095,464</u>	<u>325,937,222</u>
Total Net Position at End of the Period	<u><u>\$ 361,972,441</u></u>	<u><u>\$ 335,225,756</u></u>

Overview and Definitions – Statement of Revenues, Expenses in Net Position

Residential – Retail sales to residential electric customers.

Commercial and industrial– Retail sales to commercial and industrial electric customers.

Sales for Resale and Other – Wholesale sales, power marketing services, REC and other miscellaneous sales.

Regulatory credits – net - Deferral of revenue from the current year and/or recognition of revenue previously deferred.

Purchased Power – Power purchases from BPA and wholesale counterparties.

System Control – Trading and dispatching of power sales and power purchases (including labor).

Wheeling – Fees for movement of power across transmission and distribution (T&D) lines not owned or under contract for general EWEB use.

Generation – Maintenance, labor and other fixed costs of power generation at EWEB hydroelectric sites and co-generation sites.

Transmission and Distribution – Labor and other costs to maintain T&D infrastructure and transport power and steam to customer sites.

Customer Accounting – Primarily the Customer Service function, also meter reading, bad debt expense and low-income assistance.

Conservation Expenses – Labor and other costs to provide energy saving measures to customers.

Administrative and General – Salaries and other expenses for management and support functions.

Depreciation– Systematic expensing of acquisition costs for all capital assets (fixed assets which degrade over time: buildings and equipment other than land).

Investment Earnings – Earnings on investments, including changes in market value while investments are held and changes in the market value of investment derivatives.

Interest Earnings, Water – Interest paid by the water utility to the electric utility for intercompany loans.

Allowance for Funds Used During Construction – Estimated financing costs associated with self-construction of assets. Costs are deferred/added to income and the asset balance then expensed over time through depreciation.

Other Revenue – Nonoperating revenues such as leases of real property and telecom, gains on disposals of assets, equity increases in WGA, and reimbursable work.

Other Expenses – Nonoperating expenses including amortization of conservation assets and losses on disposals of property.

Interest Expense and Related Amortization – Interest on debt and amortization of bond issuance costs, discounts and premiums.

Allowance for Borrowed Funds Used During Construction – Costs of borrowing for self-constructed assets. Costs are deferred/reducing interest expense and added to the cost of fixed assets for eventual expensing through depreciation.

Contributions in Aid of Construction – Payments from customers or contractors to offset the cost of new services.

Contributed Plant Assets – Value of plant assets that are constructed by contractors and donated to EWEB

Net Position – Accumulated equity

**Eugene Water and Electric Board
Electric System
Financial Ratios
September 30, 2013**

	<u>YEAR-TO-DATE</u>		<u>12/31/2012</u>	<u>TARGET</u>
	<u>2013</u>	<u>2012</u>		
Current Ratio	5.998	4.410	4.636	3.250
Debt to Total Assets	0.480	0.480	0.507	0.600
Debt Service Coverage	2.380	1.960	1.932	1.750
Operating Ratio	0.798	0.812	0.822	0.770
Days Unrestricted Cash	215	177	156	
Days Available Cash	143	131	105	90
Debt to Equity	83%	82%	92%	91%

Note that the target ratios are based on annual results. Year-to-date amounts may vary from annual results.

Note that the debt service ratio methodology has been revised to include the Harvest Wind note payable due in May of 2015.

See next page for Ratio definitions and benchmark sources

**Eugene Water and Electric Board
Electric System
Financial Ratios
September 30, 2013**

Current Ratio

Total current assets to total current liabilities.

This ratio measures the utility's short-term liquidity (ability to pay bills).

Debt to Total Assets

Long-term debt plus current liabilities to total assets.

This ratio measures a utility's ability to meet its current and long-term liabilities based on the availability of assets.

Debt Service Coverage

Ratio of net revenues available for debt service to total long-term debt service for the year.

This ratio measures the utility's ability to meet its annual long-term debt obligation.

Operating Ratio

Total electric operation and maintenance expenses to total electric operating revenues.

This ratio measures the proportion of revenues received from electric sales and other electric activities required to cover operation and maintenance costs associated with producing and selling electricity.

Days Unrestricted Cash (Rating Agency Model)

Ratio of total unrestricted cash and cash equivalents

to average daily cash requirements for operating expenses (defined as yearly budgeted operating expenses net of depreciation divided by 365 days in the year).

This figure measures the length of time the utility can carry on normal operations with available unrestricted cash not otherwise designated for future capital needs.

Days Available Cash (EWEB Internal Model)

Ratio of total available cash (defined as working cash and equivalents plus general operating reserves)

to adjusted average daily cash requirements for operating and other non-capital expenses (defined as actual YTD expenditures plus remaining pro-rated budget expenses for the year divided by 365 days in the year). This is a modification of Days Unrestricted Cash measuring the length

of time (in calendar days) the utility can carry on projected non-capital related operations with readily available cash (defined as working cash and equivalents plus general operating reserves)

Debt to Equity

Ratio of total liabilities, net of current liabilities, to total equity (net assets), expressed as a percentage.

If the ratio exceeds 100% it means that outside borrowing (liabilities) exceeds the utility's own equity (net assets).

**Electric System
Quarterly Projections
(\$'s in millions)**

	Quarter 1			Quarter 2			Quarter 3			Quarter 4		Total Annual Budget	Total Annual Projection	Total Budget Estimate Variance
	Budget Estimate 3/31/13	Actual 3/31/13	QTD Variance 3/31/13	Budget Estimate 6/30/13	Actual 6/30/13	QTD Variance 6/30/13	Budget Estimate 9/30/13	Actual 9/30/13	QTD Variance 9/30/13	Budget Estimate 12/31/13	Projection 12/31/13			
Income Statement:														
Operating revenues	\$67.6	\$63.9	(\$3.7)	\$54.3	\$55.4	\$1.0	\$53.3	\$52.9	(\$0.4)	\$63.7	\$62.9	\$238.9	\$235.0	(\$3.9)
Operating expenses	61.2	51.2	10.1	53.5	49.7	3.8	56.7	49.7	7.0	59.1	55.5	230.5	206.0	24.5
Net operating revenue (loss)	6.3	12.7	6.3	0.9	5.7	4.8	(3.4)	3.2	6.6	4.6	7.4	8.4	29.0	20.6
Other revenues	1.4	2.3	1.0	1.4	2.2	0.8	1.4	1.5	0.1	1.4	1.4	5.5	7.4	1.9
Other expenses	3.5	3.5	(0.0)	3.1	3.8	(0.8)	3.5	3.4	0.1	3.5	3.5	13.5	14.2	(0.7)
Income (loss) Before contributed capital	\$4.2	\$11.5	\$7.2	(\$0.8)	\$4.1	\$4.9	(\$5.5)	\$1.3	\$6.8	\$2.4	\$5.3	\$0.4	\$22.2	\$21.8
Contribution margin:	\$30.3	\$31.2	\$0.9	\$24.8	\$24.4	(\$0.4)	\$20.5	\$22.1	\$1.6	\$28.5	\$31.4	\$104.2	\$109.1	\$4.9
Capital activity:														
Plant additions	\$4.6	\$4.9	\$0.2	\$7.2	\$7.0	(\$0.3)	\$11.5	\$5.9	(\$5.6)	\$5.2	\$6.9	\$28.6	\$24.6	(\$4.0)
Carmen Smith	0.3	1.0	0.8	0.5	0.9	0.4	0.7	0.5	(0.3)	1.5	1.1	3.0	3.5	0.5
Total capital	\$4.9	\$5.9	\$1.0	\$7.7	\$7.8	\$0.1	\$12.3	\$6.4	(\$5.9)	\$6.7	\$8.0	\$31.6	\$28.1	(\$3.5)
Debt activity:														
Payment of interest and principal	\$5.8	\$5.0	(\$0.9)	\$5.8	\$5.0	(\$0.9)	\$5.8	\$5.4	(\$0.4)	\$5.8	\$5.6	\$23.3	\$20.9	(\$2.4)
Proceeds from borrowing	0.0	0.0	0.0	0.0	0.0	0.0	19.4	0.0	(19.4)	0.0	0.0	19.4	0.0	(19.4)
Total debt activity	\$5.8	\$5.0	(\$0.9)	\$5.8	\$5.0	(\$0.9)	\$25.2	\$5.4	(\$19.8)	\$5.8	\$5.6	\$42.7	\$20.9	(\$21.8)
	Budget Estimate 3/31/13	Actual 3/31/13	Variance 3/31/13	Budget Estimate 6/30/13	Actual 6/30/13	Variance 6/30/13	Budget Estimate 9/30/13	Actual 9/30/13	QTD Variance 9/30/13	Budget Estimate 12/31/13	Projection 12/31/13	Total Annual Target/Budget	Total Annual Projection	Total Budget Estimate Variance
Unrestricted cash:														
Cash and cash equivalents	\$15.0	\$34.8	\$19.8	\$15.0	\$31.7	\$16.7	\$24.0	\$36.0	\$12.0	\$24.0	\$36.0	\$24.0	\$36.0	\$12.0
Power reserve	19.8	16.8	(3.0)	13.2	13.3	0.1	13.2	13.3	0.1	13.2	13.3	13.2	13.3	0.1
Unallocated power funds	0.0	13.7	13.7	0.0	20.7	20.7	0.0	21.8	21.8	0.0	21.8	0.0	21.8	21.8
Capital improvement funds	7.5	13.6	6.1	7.5	15.0	7.5	7.5	14.5	7.0	7.5	14.3	7.5	14.3	6.8
Operating and self-insurance funds	2.7	7.3	4.6	2.7	8.0	5.3	2.7	6.7	4.0	2.7	6.8	2.7	6.8	4.0
Pension and medical funds	0.0	8.8	8.8	0.0	4.0	4.0	0.0	4.0	4.0	0.0	4.0	0.0	4.0	4.0
Carmen-Smith funds	0.0	20.0	20.0	0.0	20.0	20.0	0.0	20.0	20.0	0.0	20.1	0.0	20.1	20.1
Total unrestricted cash	\$45.0	\$115.0	\$70.0	\$38.4	\$112.8	\$74.4	\$47.4	\$116.4	\$69.0	\$47.4	\$116.3	\$47.4	\$116.3	\$68.9
Restricted cash:														
Customer deposits and other restricted cash	\$6.7	\$6.7	(\$0.0)	\$6.7	\$6.7	\$0.0	\$6.7	\$7.5	\$0.8	\$6.7	\$7.5	\$6.7	\$7.5	\$0.8
Construction reserve	\$29.9	\$29.9	\$0.0	\$29.3	\$29.3	\$0.0	\$27.6	\$27.6	\$0.0	\$23.7	\$23.7	\$23.7	\$23.7	\$0.0
Investments and reserves for debt service	17.0	16.3	(0.7)	22.0	21.3	(0.7)	13.8	13.1	(0.7)	15.8	18.7	15.8	18.7	2.9
Total restricted cash	\$53.6	\$52.9	(\$0.7)	\$57.9	\$57.3	(\$0.7)	\$48.0	\$48.1	\$0.1	\$46.2	\$49.8	\$46.2	\$49.8	\$3.7

Footnotes:

All numbers are presented in millions

Annual adopted budget is estimated by quarter. The projection includes actual results and estimated results for the balance of the year.

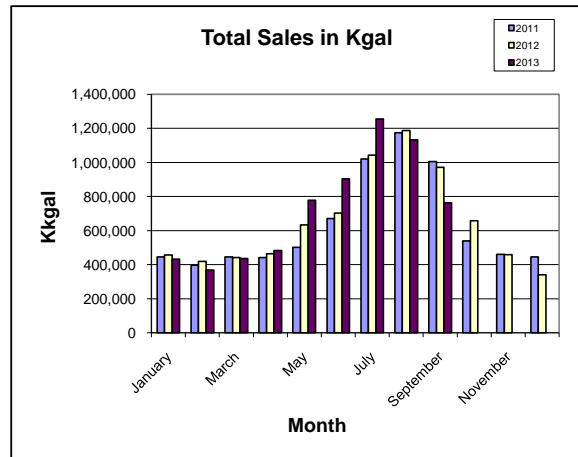
QTD variances are actual cumulative results compared to budget estimates for each quarter.

Total budget estimate variances compare actual results and projections through year-end to the annual budget.

Water Utility Sales in Kgal 2013

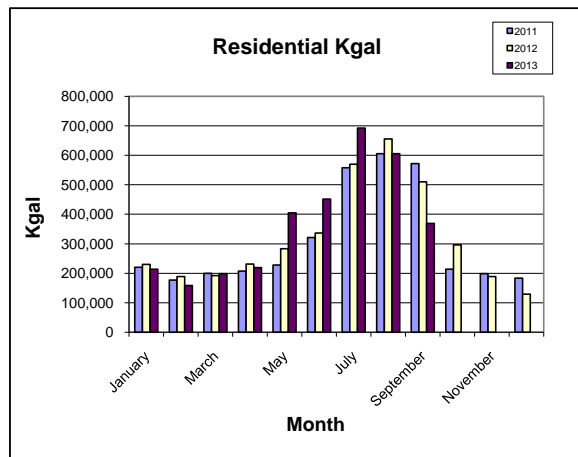
Total Water Sales in Kgal

	2011	2012	2013
January	445,496	456,723	432,590
February	396,846	419,244	368,791
March	445,702	442,401	436,077
Q1 total	1,288,044	1,318,368	1,237,458
April	441,475	463,512	482,298
May	501,716	633,981	777,945
June	671,623	702,522	903,495
Q2 total	1,614,814	1,800,015	2,163,738
July	1,020,097	1,042,623	1,255,686
August	1,174,270	1,187,331	1,132,833
September	1,005,946	970,920	762,099
Q3 total	3,200,313	3,200,874	3,150,618
October	539,886	656,952	0
November	460,473	458,211	0
December	445,761	339,931	0
Q4 total	1,446,120	1,455,094	0
Annual total	7,549,291	7,774,351	6,551,814



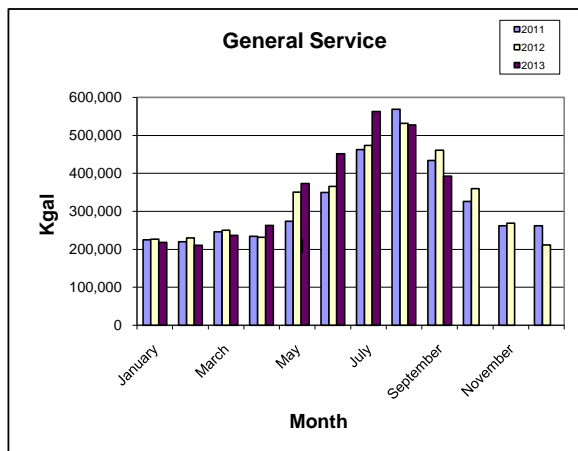
Residential Sales in Kgal

	2011	2012	2013
January	220,809	229,790	214,316
February	176,895	188,850	157,996
March	199,732	192,009	199,000
Q1 total	597,436	610,649	571,312
April	207,160	231,678	219,449
May	227,603	283,710	404,918
June	321,733	336,946	451,444
Q2 total	756,496	852,334	1,075,811
July	557,545	569,350	692,568
August	605,740	655,596	605,424
September	572,327	509,996	369,368
Q3 total	1,735,612	1,734,942	1,667,360
October	213,590	296,821	0
November	198,428	189,396	0
December	183,842	128,668	0
Q4 total	595,860	614,885	0
Total	3,685,404	3,812,810	3,314,483



General Service in Kgal

	2011	2012	2013
January	224,687	226,933	218,274
February	219,951	230,394	210,795
March	245,970	250,392	237,077
Q1 total	690,608	707,719	666,146
April	234,315	231,834	262,849
May	274,113	350,271	373,027
June	349,890	365,576	452,051
Q2 total	858,318	947,681	1,087,927
July	462,552	473,273	563,118
August	568,530	531,735	527,409
September	433,619	460,924	392,731
Q3 total	1,464,701	1,465,932	1,483,258
October	326,296	360,131	0
November	262,045	268,815	0
December	261,919	211,263	0
Q4 total	850,260	840,209	0
Total	3,863,887	3,961,541	3,237,331



Eugene Water and Electric Board
Water System
Statement of Net Position
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>December 2012</u>
Assets			
<u>Capital assets</u>			
Utility plant in service	\$ 213,501,875	\$ 203,980,228	\$ 209,614,427
Less - Accumulated depreciation	(93,517,749)	(88,348,345)	(89,554,151)
Net utility plant in service	119,984,126	115,631,883	120,060,276
Property held for future use	968,578	968,578	968,578
Construction work in progress	12,873,684	8,919,047	5,969,029
Net Utility Plant	<u>133,826,388</u>	<u>125,519,508</u>	<u>126,997,883</u>
<u>Current assets</u>			
Cash and cash equivalents	3,882,942	1,514,140	1,640,554
Restricted cash and investments			
Debt service reserve	2,367,336	2,366,036	2,366,533
Customer deposits and others	177,732	103,829	295
Construction fund	8,659,493	13,352,611	12,962,779
System development charge reserves	1,282,218	1,207,503	977,955
Investments for debt service	655,318	591,784	1,473,981
Designated cash and investments			
Capital improvement reserve	1,637,176	1,348,303	2,382,357
Operating reserve	372,451	428,098	428,744
Receivables, less allowances	4,451,317	4,016,467	2,268,479
Material and supplies, at average cost	707,266	546,032	621,627
Prepayments and special deposits	<u>1,757,563</u>	<u>403,146</u>	<u>505,761</u>
Total current assets	<u>25,950,812</u>	<u>25,877,949</u>	<u>25,629,065</u>
<u>Non-current assets</u>			
Prepaid retirement obligation	2,677,335	2,884,612	2,832,792
Other assets	<u>1,506,579</u>	<u>1,413,804</u>	<u>1,380,993</u>
Total non-current assets	<u>4,183,914</u>	<u>4,298,416</u>	<u>4,213,785</u>
Total Assets	<u>\$ 163,961,114</u>	<u>\$ 155,695,873</u>	<u>\$ 156,840,733</u>

**Eugene Water and Electric Board
Water System
Statement of Net Position
September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>	<u>December 2012</u>
Liabilities			
<u>Current liabilities</u>			
Payables	\$ 644,300	\$ 366,889	\$ 1,130,210
Accrued payroll and benefits	834,908	791,457	548,229
Accrued interest on long-term debt	358,622	367,245	918,112
Long-term debt due within one year	1,780,000	1,325,000	1,325,000
Due to Electric System	937,882	655,685	830,899
Total current liabilities	<u>4,555,712</u>	<u>3,506,276</u>	<u>4,752,450</u>
<u>Non-current liabilities</u>			
Long term debt			
-note and bonds payable	46,867,440	48,581,537	48,598,013
Due to Electric System	18,758,114	19,377,278	19,212,750
Other liabilities and deferred credits	337,545	321,636	384,122
Total liabilities	<u>70,518,811</u>	<u>71,786,727</u>	<u>72,947,335</u>
Net Position			
Net invested in capital assets	77,341,857	72,086,935	72,895,012
Restricted	4,123,984	3,901,908	3,900,652
Unrestricted	11,976,462	7,920,303	7,097,734
Total net position	<u>93,442,303</u>	<u>83,909,146</u>	<u>83,893,398</u>
Total Liabilities and Total Net Position	<u>\$ 163,961,114</u>	<u>\$ 155,695,873</u>	<u>\$ 156,840,733</u>

Eugene Water & Electric Board
Water System
Statement of Revenues, Expenses and Changes in Net Position
for the nine months ended September 30, 2013 and 2012

	<u><u>2013</u></u>	<u><u>2012</u></u>
Residential	\$ 14,324,806	\$ 11,021,116
Commercial and industrial	10,936,714	8,963,198
Sale for resale and other	556,509	589,425
Operating Revenues	<u>25,818,029</u>	<u>20,573,739</u>
Source of supply, pumping and purification	2,174,532	2,257,360
Transmission and distribution	5,527,359	5,339,412
Customer accounting	1,024,713	866,074
Conservation expenses	150,289	225,699
Administrative and general	3,119,151	2,964,415
Depreciation on utility plant	3,830,536	3,721,475
Operating Expenses	<u>15,826,580</u>	<u>15,374,435</u>
Net Operating Income (Loss)	<u>9,991,449</u>	<u>5,199,304</u>
Investment earnings	61,230	61,452
Allowance for funds used during construction	29,237	18,437
Other revenue	597,330	302,390
Non-operating Revenues	<u>687,797</u>	<u>382,279</u>
Other revenue deductions	188,497	170,708
Interest expense and related amortization	1,750,780	1,824,614
Interest expense, Electric	871,178	818,187
Allowance for borrowed funds used during construction	(14,600)	(10,700)
Non-operating Expenses	<u>2,795,855</u>	<u>2,802,809</u>
Income (loss) before capital contributions	<u>7,883,391</u>	<u>2,778,774</u>
Contribution in aid of construction	634,460	484,355
Contributed plant assets	-	-
System development charges	1,031,054	539,351
Capital Contributions	<u>1,665,514</u>	<u>1,023,706</u>
Increase (Decrease) in net position	9,548,905	3,802,480
Total net position at beginning of year	<u>83,893,398</u>	<u>80,106,666</u>
Total Net Position at End of Year	<u>\$ 93,442,303</u>	<u>\$ 83,909,146</u>

Overview and Definitions – Statement of Revenues, Expenses and Net Assets

Residential – Retail sales to residential water customers.

Commercial and industrial– Retail sales to commercial and industrial water customers, including Santa Clara and River Road Water Districts.

Sales for Resale and Other – Miscellaneous sale and other operating revenues, including Water District and Sewer service/billing charges.

Source of supply, pumping and purification - Costs of delivering water to distribution system.

Transmission and Distribution – Labor and other costs to maintain T&D infrastructure and transport water to customer meters.

Customer Accounting – Primarily the Customer Service function, also meter reading, bad debt expense and low-income assistance.

Conservation Expenses – Labor and other costs to provide water saving measures to customers.

Administrative and General – Salaries and other expenses for management and support functions.

Depreciation– Systematic expensing of acquisition costs for all capital assets (fixed assets which degrade over time: buildings and equipment other than land).

Interest and Investment Revenue – Earnings on investments, including changes in market value while investments are held.

Allowance for Funds Used During Construction – Estimated financing costs associated with self-construction of assets. Costs are deferred/added to income and the asset balance then expensed over time through depreciation.

Other Revenue – Non-operating revenues such as leases of real property, gains on disposals of assets, and reimbursements for work billed to customers.

Other Revenue Deductions – Non-operating expenses including amortization of prepaid retirement obligation and disposals of property.

Interest Expense and Related Amortization – Interest on debt and amortization of bond issuance costs, discounts and premiums.

Allowance for Borrowed Funds Used During Construction – Costs of borrowing for self-constructed assets. Costs are deferred/reducing interest expense and added to the cost of fixed assets for eventual expensing through depreciation.

Contributions in Aid of Construction – Payments from customers or contractors to offset the cost of new services.

Contributed Plant Assets – Value of plant assets that are constructed by contractors and donated to EWEB

System Development Charges – Charges collected from customers, primarily contractors and developers, for new water capital development.

Net Assets – Accumulated equity

**Eugene Water and Electric Board
Water Utility
Financial Ratios
September 30, 2013**

	<u>YEAR-TO-DATE</u>		<u>12/31/2012</u>	<u>TARGET</u>
	<u>2013</u>	<u>2012</u>		
Current Ratio	5.696	2.355	1.651	3.250
Debt to Total Assets	0.430	0.461	0.465	0.600
Debt Service Coverage	3.647	1.765	2.781	2.000
Operating Ratio	0.465	0.566	0.599	0.570
Days Unrestricted Cash	107	57	103	
Days Available Cash	76	36	34	90
Debt to Equity	71%	81%	81%	89%

Note that the target ratios are based on annual results. Year-to-date amounts may vary from annual results.

See next page for Ratio definitions

Definitions

Current Ratio

Ratio of current assets, net of designated SDC reserves, to total current liabilities. Measures the utility's short-term liquidity (ability to pay bills).

Debt to Total Assets

Ratio of long-term debt plus current liabilities to total assets. Measures a utility's ability to meet its current and long-term liabilities based on the availability of assets.

Debt Service Coverage

Ratio of net revenues available for debt service to total long-term debt service for the year. This ratio measures the utility's ability to meet its annual long-term debt obligation.

Operating Ratio

Ratio of total water operation and maintenance expenses to total water operating revenues. This ratio measures the proportion of revenues received from water sales and other water activities required to cover operation and maintenance costs associated with producing and selling water.

Days Unrestricted Cash (Rating Agency Model)

Ratio of total unrestricted cash and cash equivalents, net of designated SDC reserves, to average daily cash requirements for operating expenses (defined as yearly budgeted operating expenses net of depreciation divided by 365 days in the year). This figure measures the length of time the utility can carry on normal operations with available unrestricted cash not otherwise designated for future capital needs (ie SDC reserves)

Days Available Cash (EWEB Internal Model)

Ratio of total available cash (defined as working cash and equivalents plus general operating reserves) to adjusted average daily cash requirements for operating and other non-capital expenses (defined as actual YTD expenditures plus remaining pro-rated budget expenses for the year divided by 365 days in the year). This is a modification of Days Unrestricted Cash measuring the length of time (in calendar days) the utility can carry on projected non-capital related operations with readily available cash (defined as working cash and equivalents plus general operating reserves)

Debt to Equity

Ratio of total liabilities, net of current liabilities, to total equity (net assets), expressed as a percentage. If the ratio exceeds 100% it means that outside borrowing (liabilities) exceeds the utility's own equity (net assets)

**Water System
2013 Quarterly Projections
(\$'s in Thousands)**

	Quarter 1			Quarter 2			Quarter 3			Quarter 4		Total Annual Budget	TOTAL Annual Projection	Total Budget Estimate Variance
	Budget Estimate 3/31/13	Actual 3/31/13	Qtrly Variance 3/31/13	Budget Estimate 6/30/13	Actual 6/30/13	Qtrly Variance 6/30/13	Budget Estimate 9/30/13	Actual 9/30/13	Qtrly Variance 9/30/13	Budget Estimate 12/31/13	Projection 12/31/13			
Income Statement														
Operating revenues	\$5,394	\$5,689	\$295	\$6,488	\$15,007	\$8,519	\$13,609	\$25,818	\$12,209	\$5,811	\$5,811	\$31,302	\$52,325	\$21,023
Operating expenses	5,950	4,854	(1,096)	5,950	10,216	4,266	5,635	15,827	10,192	5,005	4,905	22,539	35,801	13,262
Net operating revenue (loss)	(556)	835	1,391	539	4,791	4,253	7,974	9,991	2,017	806	906	8,763	16,524	7,761
Non-operating revenues	32	170	138	32	560	528	32	688	656	32	32	128	1,450	1,322
Non-operating expenses	924	872	(52)	924	1,810	886	924	2,796	1,872	924	924	3,696	6,402	2,706
Income (loss) Before contributed capital	(1,448)	133	\$1,581	(\$353)	3,541	\$3,894	\$7,082	7,883	\$801	(\$86)	14	\$5,195	11,572	6,376
Contribution margin	\$4,358	\$5,125	\$766	\$5,453	\$8,491	\$3,038	\$12,566	\$10,028	(\$2,538)	\$4,754	\$5,942	\$27,131	\$29,585	\$2,455
Capital activity:														
Plant additions - net of contributions	\$2,832	\$1,538	(\$1,295)	\$2,832	\$4,485	\$1,653	\$10,194	\$4,350	(\$5,844)	\$2,832	\$6,622	\$18,691	\$16,995	(\$1,696)
Total capital	\$2,832	\$1,538	(\$1,295)	\$2,832	\$4,485	\$1,653	\$10,194	\$10,194	\$0	\$2,832	\$6,622	\$18,691	\$22,839	\$4,148
Bond activity:														
Debt service payments	\$1,324	\$1,258	(\$66)	\$1,324	\$1,324	\$0	\$1,392	\$1,388	(\$3)	\$1,425	\$1,425	\$5,465	\$5,396	(\$69)
Bond proceeds - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total bond activity	\$1,324	\$1,258	(\$66)	\$1,324	\$1,324	\$0	\$1,392	\$1,392	\$0	\$1,425	\$1,425	\$5,465	\$5,399	(\$69)
	Budget Estimate 3/31/13	Actual 3/31/13	Variance 3/31/13	Budget Estimate 6/30/13	Actual 6/30/13	Variance 6/30/13	Budget Estimate 9/30/13	Actual 9/30/13	Variance 9/30/13	Budget Estimate 12/31/13	Projection 12/31/13	Total Annual Budget	Total Annual Projection	Total Budget Estimate Variance
Unrestricted cash:														
Cash and cash equivalents	\$2,000	\$2,626	\$626	\$2,000	\$1,765	(\$235)	\$3,400	\$3,883	\$483	3,400	3,405	3,400	3,405	5
Capital improvement reserve	3,500	1,762	(1,738)	3,500	531	(2,969)	3,500	1,637	(1,863)	3,500	3,185	3,500	3,185	(315)
Operating and self-insurance funds	1,280	382	(898)	1,280	382	(898)	1,280	372	(908)	1,280	372	1,280	372	(908)
Total unrestricted cash	\$6,780	\$4,770	(\$2,010)	\$6,780	\$2,677	(\$4,103)	\$8,180	\$5,893	(\$2,287)	\$8,180	\$6,962	\$8,180	\$6,962	(1,218)
Restricted cash:														
Construction funds	\$12,000	\$12,215	\$215	\$8,000	\$10,727	\$2,727	\$4,000	\$8,659	\$4,659	4,000	5,740	4,000	5,740	1,740
System development charge reserves	800	787	(13)	600	938	338	400	1,282	882	-	-	-	-	-
Investments for debt service	3,620	3,621	1	4,500	4,503	3	3,030	3,200	170	4,010	4,010	4,010	4,010	-
Total restricted cash	\$16,420	\$16,623	\$203	\$13,100	\$16,169	\$3,069	\$7,430	\$13,142	\$5,712	\$8,010	\$9,750	\$8,010	\$9,750	\$1,740

Footnotes:

PLEASE NOTE, due to scale of dollar operations being much smaller than the Electric System, Water utility numbers are presented in thousands 2013 annual adopted budget is estimated by quarter. The projection includes Q3 actual results and estimated results for the remaining quarters. Budget estimate is adopted budget plus any budget amendments to date Quarterly variances are for those quarters only