



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson  
FROM: Cathy Bloom, Finance Manager  
Susan Eicher, General Accounting and Treasury Supervisor  
DATE: May 23, 2014  
SUBJECT: First Quarter 2014 Financial Report  
OBJECTIVE: Information only

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## **Issue**

This memo provides a summary of operating results for the first quarter of 2014.

## **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 2014 budget anticipates net income at year-end of \$15.8 million. Year-to-date net income was \$11.7 million, an increase of \$300 thousand from the first quarter of last year, with \$6.2 million of the difference attributable to an increase in operating revenues. Operating expenses increased \$4.5 million from the same period last year due to increases in purchased power and transmission and distribution expense. Non-operating revenues decreased \$1.2 million from the same period last year and non-operating expenses increased by \$165 thousand. The projection for year-end net income is \$22.9 million.

#### **Operating Revenue:**

At the end of the first quarter, electric retail sales were \$2.8 million more than in 2013, and are projected to end the year at budget. Total retail electric consumption for Q1 2014 was 1.70% less than Q1 2013 and 1.04% less than budget.

Wholesale and other sales were \$3.4 million more than last year at this time, and were \$7.9 million more than the seasonally adjusted budget. Sales volume was up 10.4% from last year, and prices were higher January and February of 2014 than last year. Overall wholesale revenue was up 16.2% from 2013. Wholesale and other sales combined have increased by 26.8%. Other sales include services and sales of RECs. The budget assumes streamflows of 90% of normal. Through March, actual stream flows were 127% of normal and the projection for year-end was 100.1%.

**Operating Expenses:**

Operating expenses were \$4.5 million higher than last year at this time and were at 26.9% of budget, with the increase due to purchased power and transmission and distribution expense. The increase in transmission and distribution is related to the February snow and ice storm. At this time, an application for FEMA funds to offset up to 75% the allowable storm expense is in process. At this time in 2013, operating expenses were 24.1% of budget.

**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 March was \$197 thousand under budget. Retail revenue was below budget and was impacted by the widespread outages during the February storm. At this time, the year-end forecast shows a positive variance at year-end of \$6.5 million. The forecasted positive variance assumes that generation and wholesale sales will remain above budget through the end of the year.

**Cash and Reserves Balances:**

Working cash is above target and all other reserves are at or higher than target as of the end of March. Working cash was well above the \$24 million target, and includes the positive contribution margin variance for 2013, but does not include the effects of reserve transfers approved in May. Those transfers are reflected in the second quarter of 2014.

**Financing:**

No financing is planned in 2014.

**Water Utility****Net Income:**

Water utility net income at year end was budgeted to be \$6.0 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 \$1.3 million, compared to \$133 thousand at this time last year. The budget assumed consumption of 7.4 million Kgal. Projections for yearly consumption are currently expected to be on target.

**Operating Revenue:**

At the end of the first quarter, operating revenues were \$1.1 million higher than the previous year and about \$1.7 million above the seasonally adjusted budget. Revenues have increased compared to the first quarter of last year due to the February 2013 and 2014 rate increases and consumption. Pumping volume was also up about 7.3% over 2013 levels.

**Operating Expenses:**

Q1 operating expenses were \$212 thousand lower than the same period last year and were at 19.8% of budget. On average, year-to-date activity should be approximately 25% of the yearly budget. At this time in 2013, operating expenses were 20.6% 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 \$2.0 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 March was \$3.2 million, slightly below 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 at target. Transfers will begin in the second quarter into the reserve that has been established for the alternative water source. Water had sufficient cash to establish a pension and medical reserve and a board approved transfer will be made in the second quarter.

**Recommendation**

There is no specific recommendation or requested action.

**Eugene Water & Electric Board**  
**Cash Targets & Balances**  
**March 31, 2014**

CASH ACCOUNT	FINANCIAL POLICY REFERENCE	ELECTRIC SYSTEM			WATER UTILITY		
		TARGET FLOOR	TARGET CEILING	BALANCE 03/31/2014	TARGET FLOOR	TARGET CEILING	BALANCE 03/31/2014
<b>RESERVES</b>							
1) Operating Reserve	Rate Stability Policy	\$ 1,000,000	\$ -	\$ 1,018,998	\$ 1,000,000	\$ -	\$ -
2) Self-Insurance Reserve	Rate Stability Policy	1,720,000	-	1,760,125	280,000	-	286,458
3) Power Reserve	Rate Stability Policy	13,200,000	-	13,334,217	-	-	-
4) Capital Improvement Reserve	Capital Reserve Policy	7,500,000	18,000,000	13,903,119	3,500,000	7,000,000	3,681,634
<b>RESERVES TOTAL</b>		<b>\$ 23,420,000</b>	<b>\$ 18,000,000</b>	<b>\$ 30,016,459</b>	<b>\$ 4,780,000</b>	<b>\$ 7,000,000</b>	<b>\$ 3,968,092</b>
<b>DESIGNATED FUNDS<sup>(1)</sup></b>							
5) Unallocated Power Fund		-	-	21,805,873	-	-	-
Water Stewardship Fund- Septic Repairs		-	-	-	-	-	81,195
Economic Development Loan Pilot Program Fund		-	-	1,578,048	-	-	19,123
Steam Transition Fund		-	-	1,540,128	-	-	-
Riverfront Master Plan Make-Ready Fund		-	-	239,475	-	-	-
Carmen-Smith Fund		-	-	20,049,241	-	-	-
6) Pension & Post Retirement Medical Fund		-	-	3,950,557	-	-	-
<b>DESIGNATED FUNDS TOTAL</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 49,163,322</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,318</b>
<b>CASH FOR OPERATIONS</b>							
7) Working Cash	Rate Sufficiency Policy	24,000,000	-	43,591,577	3,400,000	-	3,259,062
<b>CASH TARGETS &amp; BALANCES TOTAL</b>		<b>\$ 47,420,000</b>	<b>\$ 57,920,000</b>	<b>\$ 122,771,358</b>	<b>\$ 8,180,000</b>	<b>\$ 11,680,000</b>	<b>\$ 7,327,472</b>
<b>LEGALLY RESTRICTED</b>							
Bond Funds - Type II & III				26,534,118			7,575,150
System Development Charge Reserves				-			977,889
Reserves & Investments for Debt Service				18,233,584			3,912,915
Contribution in Aid				1,211,510			-
<b>RESTRICTED FUNDS TOTAL</b>				<b>\$ 45,979,212</b>			<b>\$ 12,465,954</b>

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.

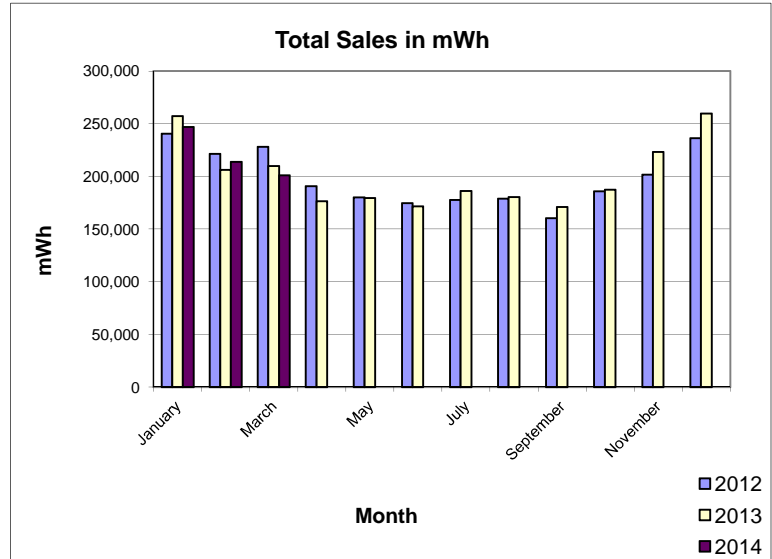
**Notes:**

<sup>(1)</sup> Designated funds are used for one time expenditures.

## Electric Utility Sales in mWh March 2014

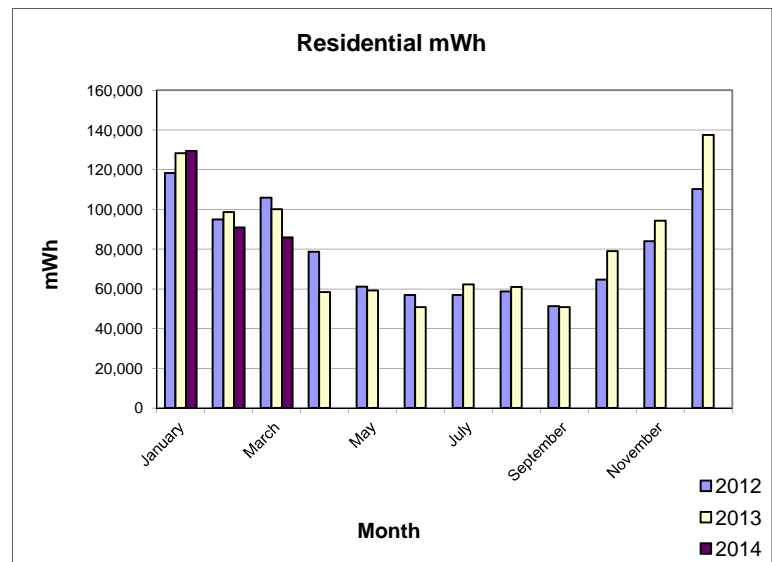
### Total Electric Utility Sales in mWh

	2012	2013	2014
January	240,373	257,093	246,897
February	221,301	206,073	213,721
March	228,123	209,892	201,085
Q1 total	689,797	673,058	661,703
April	190,510	176,531	0
May	179,943	179,544	0
June	174,557	171,487	0
Q2 total	545,010	527,562	0
July	177,718	186,179	0
August	178,883	180,320	0
September	160,149	170,968	0
Q3 total	516,750	537,467	0
October	185,806	187,228	0
November	201,486	223,065	0
December	236,220	259,701	0
Q4 total	623,512	669,994	0
Annual total	2,375,069	2,408,081	661,703



### Residential Sales in mWh

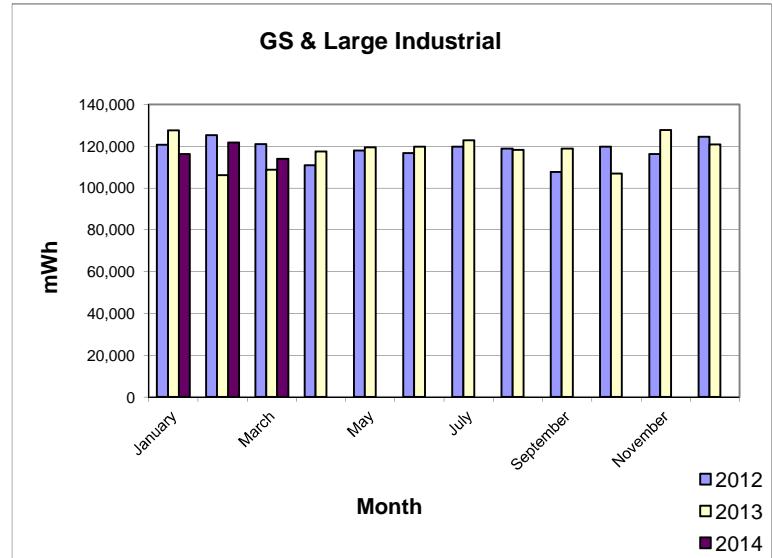
	2012	2013	2014
January	118,374	128,308	129,434
February	94,954	98,751	90,865
March	105,964	100,089	86,008
Q1 total	319,292	327,148	306,307
April	78,633	58,331	0
May	61,146	59,174	0
June	56,895	50,849	0
Q2 total	196,674	168,354	0
July	56,933	62,311	0
August	58,651	60,936	0
September	51,328	50,898	0
Q3 total	166,912	174,145	0
October	64,742	79,087	0
November	83,974	94,314	0
December	110,327	137,467	0
Q4 total	259,043	310,868	0
Total	941,921	980,515	306,307



## Electric Utility Sales in mWh March 2014

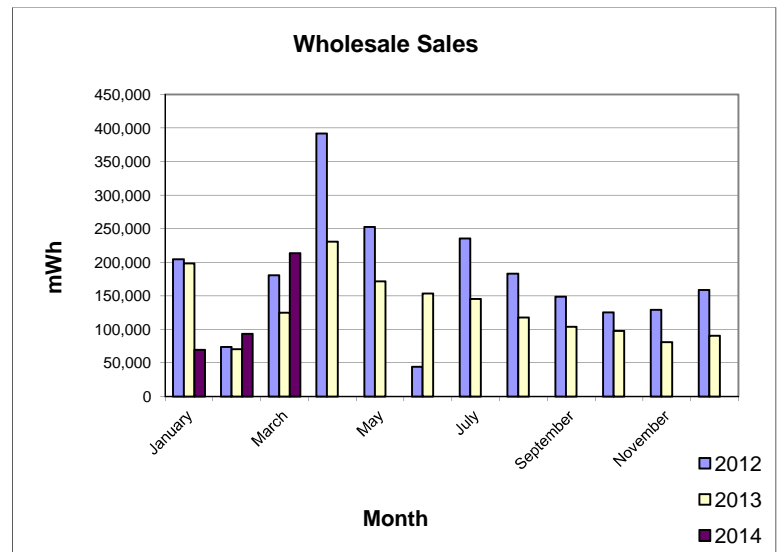
### General Service & Large Industrial Sales in mWh

	2012	2013	2014
January	120,705	127,580	116,239
February	125,266	106,201	121,842
March	121,056	108,764	114,007
	<u>367,027</u>	<u>342,545</u>	<u>352,088</u>
April	110,882	117,486	0
May	117,887	119,518	0
June	116,739	119,787	0
	<u>345,508</u>	<u>356,791</u>	<u>0</u>
July	119,760	122,885	0
August	118,835	118,305	0
September	107,697	118,943	0
	<u>346,292</u>	<u>360,133</u>	<u>0</u>
October	119,782	106,929	0
November	116,238	127,714	0
December	124,563	120,800	0
	<u>360,583</u>	<u>355,443</u>	<u>0</u>
Total	<u>1,419,410</u>	<u>1,414,912</u>	<u>352,088</u>



### Total Wholesale Sales in mWh

	2012	2013	2014
January	204,606	198,192	69,372
February	73,597	70,543	93,166
March	180,645	124,994	213,484
	<u>458,848</u>	<u>393,729</u>	<u>376,022</u>
April	391,978	230,512	0
May	252,453	171,488	0
June	44,137	153,436	0
	<u>688,568</u>	<u>555,436</u>	<u>0</u>
July	235,240	145,163	0
August	183,066	117,527	0
September	148,673	103,682	0
	<u>566,979</u>	<u>366,372</u>	<u>0</u>
October	125,449	97,400	0
November	128,963	81,125	0
December	158,694	90,633	0
	<u>413,106</u>	<u>269,158</u>	<u>0</u>
Total	<u>2,127,501</u>	<u>1,584,695</u>	<u>376,022</u>
Generation %	106%	97%	127%



**Eugene Water and Electric Board**  
**Electric System**  
**Statement of Net Position**  
March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>December 2013</u>
<b>Assets</b>			
<u>Capital assets</u>			
Utility plant in service	\$ 706,624,122	\$ 685,405,004	\$ 706,852,202
Less - Accumulated depreciation	(356,970,840)	(341,212,381)	(352,189,557)
Net utility plant in service	<u>349,653,282</u>	<u>344,192,623</u>	<u>354,662,645</u>
Property held for future use	3,436,406	3,452,910	3,436,406
Construction work in progress	15,274,874	16,218,836	11,523,260
Net utility plant	<u>368,364,562</u>	<u>363,864,369</u>	<u>369,622,311</u>
<u>Current assets</u>			
Cash and cash equivalents	16,844,152	7,623,904	8,660,695
Short-term investments	26,747,426	27,151,353	17,792,962
Restricted cash and investments			
Debt service reserve	9,334,176	9,330,637	9,334,082
Customer deposit reserve	2,667,941	4,486,982	2,631,362
Harvest Wind escrow accounts	2,133,603	2,209,265	2,132,291
Construction reserve	27,745,628	29,925,620	18,068,918
Investments for debt service	8,899,408	6,970,906	9,331,859
Designated cash and investments			
Power reserve	13,334,217	16,812,649	4,278,925
Unallocated power fund	21,805,873	13,729,447	17,791,215
Capital improvement reserve	13,903,119	13,597,035	9,267,995
Carmen-Smith fund	20,049,241	20,012,094	13,029,188
Operating reserve	6,136,774	7,273,693	6,128,477
Pension and medical fund	3,950,557	8,752,855	4,018,969
Receivables, less allowances	33,267,261	32,604,381	35,572,170
Due from Water System	759,707	741,625	848,767
Materials and supplies, at average cost	4,776,290	3,419,493	4,910,025
Prepays	8,462,458	2,799,498	8,628,194
Option premiums, short-term	847,000	1,040,520	1,120,600
Total current assets	<u>221,664,831</u>	<u>208,481,955</u>	<u>173,546,694</u>
<u>Non-current assets</u>			
Prepaid retirement obligation	11,724,575	12,668,835	11,960,640
Long-term receivable, conservation and other	4,774,653	4,941,479	4,801,343
Due from Water System	18,424,574	19,062,383	18,584,729
Long-term investments	-	-	44,580,415
Investment in WGA	(837,744)	1,802,851	(638,549)
Investment in Harvest Wind	27,156,569	28,463,029	27,571,629
Nonutility Property	9,474,858	7,711,720	9,310,036
Other assets	56,000,025	52,624,575	54,846,044
Total non-current assets	<u>126,717,510</u>	<u>127,274,872</u>	<u>171,016,287</u>

**Eugene Water and Electric Board**  
**Electric System**  
**Statement of Net Position**  
March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>December 2013</u>
<b>Deferred Outflows</b>			
Deferred outflows of resources	3,234,744	4,586,954	2,936,267
 <b>Total Assets and Deferred Outflows</b>	 \$ 719,981,647	 \$ 704,208,151	 \$ 717,121,559
 <b>Liabilities</b>			
<u>Current liabilities</u>			
Payables	\$ 16,918,896	\$ 18,487,279	\$ 25,109,525
Accrued payroll and benefits	4,452,243	3,861,941	3,554,112
Accrued interest on long-term debt	2,599,687	2,694,225	5,257,768
Long-term debt due within one year	11,583,371	8,586,582	11,583,370
Total current liabilities	<u>35,554,197</u>	<u>33,630,027</u>	<u>45,504,775</u>
<u>Non-current liabilities</u>			
Long-term debt	295,838,739	308,135,855	296,008,315
Other liabilities	3,562,075	4,279,435	3,267,083
Total liabilities	<u>334,955,011</u>	<u>346,045,316</u>	<u>344,780,173</u>
 <b>Deferred Inflows</b>			
Deferred Inflows of resources	5,728,773	3,251,207	5,119,369
 <b>Net Position</b>			
Net investment in capital assets	159,227,026	146,894,960	149,739,166
Restricted	19,227,870	18,858,525	16,948,633
Unrestricted	200,842,967	189,158,142	200,534,218
Total net position	<u>379,297,863</u>	<u>354,911,627</u>	<u>367,222,017</u>
 <b>Total Liabilities, Deferred Inflows, and Net Position</b>	 \$ 719,981,647	 \$ 704,208,151	 \$ 717,121,559



**Eugene Water & Electric Board**  
**Electric System**  
**Statement of Revenues, Expenses and and Changes in Net Position**  
for the three months ended March, 2014 and 2013

	<u><u>2014</u></u>	<u><u>2013</u></u>
Residential	\$ 30,254,644	\$ 29,394,721
Commercial and industrial	23,715,729	21,796,185
Sale for resale and other	<u>16,063,955</u>	<u>12,665,972</u>
<b>Operating Revenues</b>	<u>70,034,328</u>	<u>63,856,878</u>
Purchased power	30,693,944	28,317,125
System control	1,633,229	1,354,685
Wheeling	3,490,833	3,209,296
Generation	2,664,229	2,608,742
Transmission and distribution	5,609,836	3,867,598
Customer accounting	1,850,108	1,880,149
Conservation expenses	629,091	1,093,942
Administrative and general	4,480,300	4,466,149
Depreciation on utility plant	<u>4,665,112</u>	<u>4,386,382</u>
<b>Operating Expenses</b>	<u>55,716,682</u>	<u>51,184,068</u>
<b>Net Operating Income (Loss)</b>	<u>14,317,646</u>	<u>12,672,810</u>
Investment earnings	163,418	235,994
Interest earnings, Water	286,778	225,734
Allowance for funds used during construction	14,722	12,866
Other revenue	<u>653,079</u>	<u>1,861,259</u>
<b>Non-operating Revenues</b>	<u>1,117,997</u>	<u>2,335,853</u>
Other expenses	547,610	297,190
Interest expense and related amortization	3,154,824	3,239,754
Allowance for borrowed funds used during construction	<u>(11,500)</u>	<u>(11,200)</u>
<b>Other Non-operating Expenses</b>	<u>3,690,934</u>	<u>3,525,744</u>
<b>Income (Loss) Before Capital Contributions</b>	11,744,709	11,482,919
Contributions in aid of construction	331,138	333,243
Contributed plant assets	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	12,075,847	11,816,162
Total net position at beginning of year	<u>367,222,016</u>	<u>343,095,465</u>
<b>Total Net Position at End of the Period</b>	<u><u>\$ 379,297,863</u></u>	<u><u>\$ 354,911,627</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  
March 31, 2014**

	<u>YEAR-TO-DATE</u>		<u>TARGET</u>
	<u>2014</u>	<u>2013</u>	
<b>Current Ratio</b>	6.235	6.199	3.250
<b>Debt to Total Assets</b>	0.473	0.496	0.600
<b>Debt Service Coverage</b>	2.457	2.328	1.750
<b>Operating Ratio</b>	0.729	0.733	0.770
<b>Days Unrestricted Cash</b>	233	212	
<b>Days Available Cash</b>	160	133	90
<b>Debt to Equity</b>	76%	86%	91%

**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**  
**March 31, 2014**

**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 3/31/14	Actual 3/31/14	QTD Variance 3/31/14	Budget Estimate 6/30/14	Projection 6/30/14	Budget Estimate 9/30/14	Projection 9/30/14	Budget Estimate 12/31/14	Projection 12/31/14			
<b>Income Statement:</b>												
Operating revenues	\$ 65.5	\$ 70.0	\$ 4.6	\$ 54.2	\$ 64.4	\$ 51.7	\$ 65.4	\$ 59.5	\$ 70.0	\$ 230.8	\$ 269.8	\$ 38.9
Operating expenses	53.5	55.7	(2.2)	49.0	56.6	52.6	64.2	52.8	61.4	207.8	237.9	(30.1)
Net operating revenue (loss)	12.0	14.3	2.4	5.2	7.8	(0.9)	1.1	6.7	8.6	23.0	31.9	8.9
Other revenues	1.3	1.1	(0.2)	1.3	1.3	1.3	1.3	1.3	1.3	5.1	4.9	(0.2)
Other expenses	3.4	3.7	(0.3)	3.4	3.4	3.4	3.4	3.4	3.4	13.6	13.9	(0.3)
<b>Income (loss) Before contributed capital</b>	<b>\$ 9.8</b>	<b>\$ 11.7</b>	<b>\$ 1.9</b>	<b>\$ 3.1</b>	<b>\$ 5.7</b>	<b>\$ (3.0)</b>	<b>\$ (1.0)</b>	<b>\$ 4.5</b>	<b>\$ 6.5</b>	<b>\$ 14.5</b>	<b>\$ 22.9</b>	<b>\$ 8.4</b>
<b>Contribution margin:</b>	<b>\$34.8</b>	<b>\$34.6</b>	<b>(\$0.2)</b>	<b>\$28.0</b>	<b>\$30.6</b>	<b>\$21.9</b>	<b>\$24.0</b>	<b>\$29.4</b>	<b>\$31.4</b>	<b>\$114.1</b>	<b>\$120.6</b>	<b>\$6.5</b>
<b>Capital activity:</b>												
Plant additions	\$ 4.1	\$ 3.6	\$ (0.5)	\$ 6.4	\$ 6.9	\$ 6.5	\$ 6.5	\$ 8.4	\$ 8.4	\$ 25.4	\$ 25.4	\$ -
Carmen Smith	0.3	0.2	(0.1)	0.6	0.5	0.8	0.9	1.6	1.7	3.2	3.2	-
Total capital	\$ 4.4	\$ 3.8	\$ (0.5)	\$ 6.9	\$ 7.3	\$ 7.3	\$ 7.4	\$ 10.0	\$ 10.1	\$ 28.6	\$ 28.6	\$ -
<b>Debt activity:</b>												
Payment of interest and principal	\$ 6.5	\$ 5.6	\$ (0.9)	\$ 6.5	\$ 6.9	\$ 6.5	\$ 5.6	\$ 6.5	\$ 6.9	\$ 25.8	\$ 25.0	\$ (0.8)
Proceeds from borrowing	-	-	-	-	-	-	-	-	-	-	-	-
Total debt activity	\$ 6.5	\$ 5.6	\$ (0.9)	\$ 6.5	\$ 6.9	\$ 6.5	\$ 5.6	\$ 6.5	\$ 6.9	\$ 25.8	\$ 25.0	\$ (0.8)
	Budget Estimate 3/31/14	Actual 3/31/14	Variance 3/31/14	Budget Estimate 6/30/14	Projection 6/30/14	Budget Estimate 9/30/14	Projection 9/30/14	Budget Estimate 12/31/14	Projection 12/31/14	Total Annual Target/Budget	Total Annual Projection	Total Budget Estimate Variance
<b>Unrestricted cash:</b>												
Cash and cash equivalents	\$ 24.0	\$ 43.6	\$ 19.6	\$ 24.0	\$ 37.5	\$ 24.0	\$ 33.2	\$ 24.0	\$ 30.9	\$ 24.0	\$ 30.9	\$ 6.9
Power reserve	13.2	13.3	0.1	13.2	13.4	13.2	13.4	13.2	13.4	13.2	13.4	0.2
Unallocated power funds	-	21.8	21.8	-	10.0	-	10.1	-	16.5	-	16.5	16.5
Capital improvement funds	7.5	13.9	6.4	7.5	14.2	7.5	11.9	7.5	7.5	7.5	7.5	0.0
Operating and self-insurance funds	3.7	6.1	2.4	3.7	5.4	3.7	5.4	3.7	5.4	3.7	5.4	1.7
Pension and medical funds	-	4.0	4.0	-	6.1	-	6.1	-	6.1	-	6.1	6.1
Harvest Wind reserve	-	-	-	-	27.0	-	27.1	-	27.1	-	27.1	27.1
Carmen-Smith funds	-	20.0	20.0	-	15.7	-	15.7	-	15.7	-	15.7	15.7
Total unrestricted cash	\$ 48.4	\$ 122.8	\$ 74.4	\$ 48.4	\$ 129.4	\$ 48.4	\$ 122.9	\$ 48.4	\$ 122.7	\$ 48.4	\$ 122.7	\$ 74.3
<b>Restricted cash:</b>												
Customer deposits and other restricted cash	\$ -	\$ 4.8	\$ 4.8	\$ -	\$ 4.8	\$ -	\$ 4.8	\$ -	\$ 4.8	\$ -	\$ 4.8	\$ 4.8
Construction reserve	-	27.7	27.7	-	27.0	-	26.2	-	25.1	-	25.1	25.1
Investments and reserves for debt service	-	18.2	18.2	-	23.9	-	11.9	-	17.5	-	17.5	17.5
Total restricted cash	\$ -	\$ 50.8	\$ 50.8	\$ -	\$ 55.7	\$ -	\$ 42.9	\$ -	\$ 47.5	\$ -	\$ 47.5	\$ 47.5

**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.

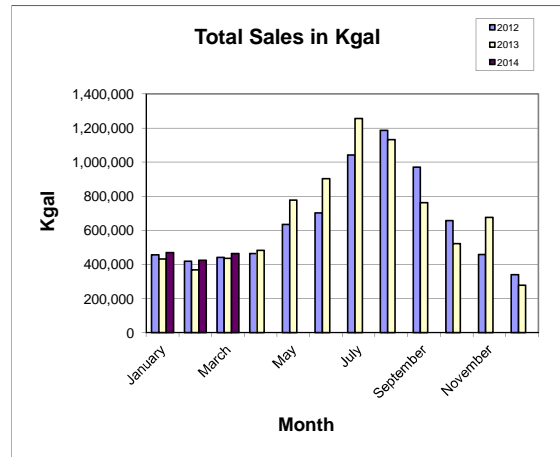
QTD variances are actual cumulative results compared to budget estimates for each quarter.

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

## Water Utility Sales in Kgal 2014

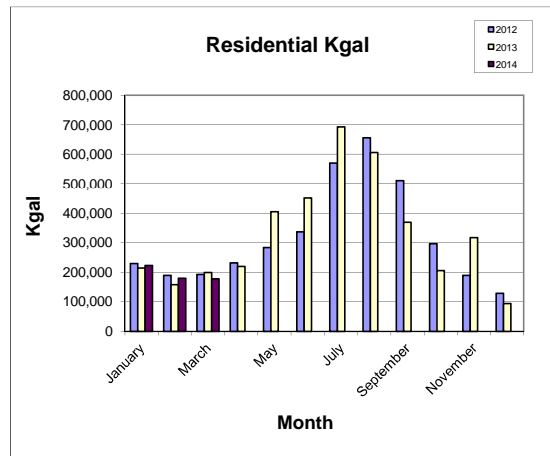
### Total Water Sales in Kgal

	2012	2013	2014
January	456,723	432,590	469,967
February	419,244	368,791	424,408
March	442,401	436,077	463,973
<b>Q1 total</b>	<b>1,318,368</b>	<b>1,237,458</b>	<b>1,358,348</b>
April	463,512	482,298	0
May	633,981	777,945	0
June	702,522	903,495	0
<b>Q2 total</b>	<b>1,800,015</b>	<b>2,163,738</b>	<b>0</b>
July	1,042,623	1,255,686	0
August	1,187,331	1,132,833	0
September	970,920	762,099	0
<b>Q3 total</b>	<b>3,200,874</b>	<b>3,150,618</b>	<b>0</b>
October	656,952	523,088	0
November	458,211	676,720	0
December	339,931	278,689	0
<b>Q4 total</b>	<b>1,455,094</b>	<b>1,478,497</b>	<b>0</b>
<b>Annual total</b>	<b>7,774,351</b>	<b>8,030,311</b>	<b>1,358,348</b>



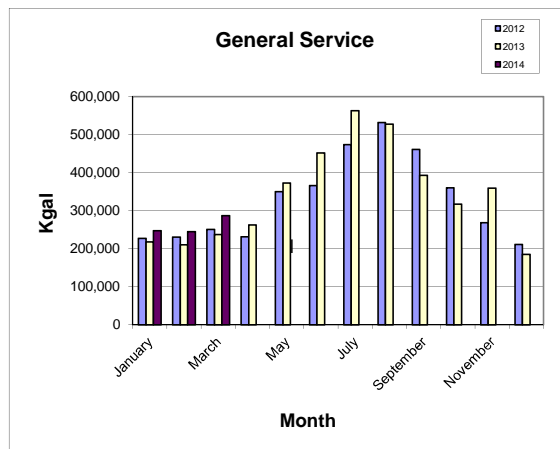
### Residential Sales in Kgal

	2012	2013	2014
January	229,790	214,316	222,490
February	188,850	157,996	179,454
March	192,009	199,000	176,867
<b>Q1 total</b>	<b>610,649</b>	<b>571,312</b>	<b>578,811</b>
April	231,678	219,449	0
May	283,710	404,918	0
June	336,946	451,444	0
<b>Q2 total</b>	<b>852,334</b>	<b>1,075,811</b>	<b>0</b>
July	569,350	692,568	0
August	655,596	605,424	0
September	509,996	369,368	0
<b>Q3 total</b>	<b>1,734,942</b>	<b>1,667,360</b>	<b>0</b>
October	296,821	206,009	0
November	189,396	317,555	0
December	128,668	93,757	0
<b>Q4 total</b>	<b>614,885</b>	<b>617,321</b>	<b>0</b>
<b>Total</b>	<b>3,812,810</b>	<b>3,931,804</b>	<b>578,811</b>



### General Service in Kgal

	2012	2013	2014
January	226,933	218,274	247,477
February	230,394	210,795	244,954
March	250,392	237,077	287,106
<b>Q1 total</b>	<b>707,719</b>	<b>666,146</b>	<b>779,537</b>
April	231,834	262,849	0
May	350,271	373,027	0
June	365,576	452,051	0
<b>Q2 total</b>	<b>947,681</b>	<b>1,087,927</b>	<b>0</b>
July	473,273	563,118	0
August	531,735	527,409	0
September	460,924	392,731	0
<b>Q3 total</b>	<b>1,465,932</b>	<b>1,483,258</b>	<b>0</b>
October	360,131	317,079	0
November	268,815	359,165	0
December	211,263	184,932	0
<b>Q4 total</b>	<b>840,209</b>	<b>861,176</b>	<b>0</b>
<b>Total</b>	<b>3,961,541</b>	<b>4,098,507</b>	<b>779,537</b>



**Eugene Water and Electric Board**  
**Water System**  
**Statement of Net Position**  
**March 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<u>December 2013</u>
<b>Assets</b>			
<u>Capital assets</u>			
Utility plant in service	\$ 222,098,084	\$ 210,299,627	\$ 221,915,523
Less - Accumulated depreciation	(95,866,411)	(90,885,399)	(94,453,719)
Net utility plant in service	<u>126,231,673</u>	<u>119,414,228</u>	<u>127,461,804</u>
Property held for future use	968,578	968,578	968,578
Construction work in progress	<u>10,409,918</u>	<u>6,989,288</u>	<u>7,737,813</u>
Net Utility Plant	<u>137,610,169</u>	<u>127,372,094</u>	<u>136,168,195</u>
<u>Current assets</u>			
Cash and cash equivalents	3,259,062	2,626,162	4,198,847
Restricted cash and investments			
Debt service reserve	2,367,502	2,366,604	2,367,478
Customer deposits and others	52,524	295	52,453
Construction fund	7,575,150	12,215,159	5,560,171
System development charge reserves	977,889	786,761	441,397
Investments for debt service	1,545,414	1,254,272	1,638,327
Designated cash and investments			
Capital improvement reserve	3,681,634	1,762,258	3,676,785
Operating reserve	386,776	381,708	386,253
Receivables, less allowances	3,307,398	2,209,950	3,486,690
Material and supplies, at average cost	1,018,338	665,486	1,064,553
Prepayments and special deposits	<u>1,684,068</u>	<u>411,124</u>	<u>1,708,311</u>
Total current assets	<u>25,855,755</u>	<u>24,679,780</u>	<u>24,581,265</u>
<u>Non-current assets</u>			
Investment - restricted	0	0	2,000,740
Prepaid retirement obligation	2,573,696	2,780,973	2,625,515
Other assets	<u>1,528,059</u>	<u>1,391,483</u>	<u>1,512,925</u>
Total non-current assets	<u>4,101,755</u>	<u>4,172,456</u>	<u>6,139,180</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows of Resources	<u>823,627</u>	<u>903,974</u>	<u>843,318</u>
<b>Total Assets &amp; Deferred Outflows</b>	<u>\$ 168,391,306</u>	<u>\$ 157,128,304</u>	<u>\$ 167,731,958</u>



**Eugene Water and Electric Board  
Water System  
Statement of Net Position  
March 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<u>December 2013</u>
<b>Liabilities</b>			
<u>Current liabilities</u>			
Payables	\$ 506,521	\$ 413,907	\$ 1,506,492
Accrued payroll and benefits	1,040,149	851,624	716,923
Accrued interest on long-term debt	358,619	367,246	896,548
Long-term debt due within one year	1,780,000	1,325,000	1,780,000
Due to Electric System	759,707	741,625	848,767
Total current liabilities	<u>4,444,996</u>	<u>3,699,402</u>	<u>5,748,730</u>
<u>Non-current liabilities</u>			
Long term debt			
-note and bonds payable	47,719,358	49,518,463	47,724,145
Due to Electric System	18,424,574	19,062,382	18,584,729
Other liabilities	17,946	(145,569)	282,849
Total liabilities	<u>70,606,874</u>	<u>72,134,678</u>	<u>72,340,453</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources	637,417	309,307	628,804
<b>Net Position</b>			
Net invested in capital assets	79,552,780	72,960,277	78,008,145
Restricted	4,566,764	4,040,686	3,603,107
Unrestricted	13,027,470	7,683,356	13,151,449
Total net position	<u>97,147,014</u>	<u>84,684,319</u>	<u>94,762,701</u>
<b>Total Liabilities, Deferred Inflows &amp; Net Position</b>	<u>\$ 168,391,306</u>	<u>\$ 157,128,304</u>	<u>\$ 167,731,958</u>

**Eugene Water & Electric Board**  
**Water System**  
**Statement of Revenues, Expenses and Changes in Net Position**  
for the three months ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Residential	\$ 3,524,852	\$ 3,090,060
Commercial and industrial	2,995,625	2,357,445
Sale for resale and other	220,563	241,093
<b>Operating Revenues</b>	<u>6,741,040</u>	<u>5,688,598</u>
Source of supply, pumping and purification	602,997	563,972
Transmission and distribution	1,479,891	1,640,245
Customer accounting	344,060	314,660
Conservation expenses	45,329	42,156
Administrative and general	772,685	1,027,748
Depreciation on utility plant	1,397,381	1,265,068
<b>Operating Expenses</b>	<u>4,642,343</u>	<u>4,853,849</u>
<b>Net Operating Income (Loss)</b>	<u>2,098,697</u>	<u>834,749</u>
Investment earnings	19,723	11,772
Allowance for funds used during construction	10,337	7,412
Other revenue	56,112	151,181
<b>Non-operating Revenues</b>	<u>86,172</u>	<u>170,366</u>
Other revenue deductions	58,350	63,953
Interest expense and related amortization	570,732	586,469
Interest expense, Electric	286,778	225,734
Allowance for borrowed funds used during construction	(5,100)	(4,300)
<b>Non-operating Expenses</b>	<u>910,760</u>	<u>871,856</u>
<b>Income (loss) before capital contributions</b>	<u>1,274,109</u>	<u>133,259</u>
Contribution in aid of construction	294,480	221,614
Contributed plant assets	-	-
System development charges	815,724	436,048
<b>Capital Contributions</b>	<u>1,110,204</u>	<u>657,662</u>
Increase (Decrease) in net position	2,384,313	790,921
Total net position at beginning of year	<u>94,762,701</u>	<u>83,893,398</u>
<b>Total Net Position at End of Year</b>	<u>\$ 97,147,014</u>	<u>\$ 84,684,319</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  
March 31, 2014**

	<b>YEAR-TO-DATE</b>		<b>12/31/2013</b>	<b>TARGET</b>
	<b>2014</b>	<b>2013</b>		
<b>Current Ratio</b>	5.817	6.671	4.276	3.250
<b>Debt to Total Assets</b>	0.419	0.459	0.431	0.600
<b>Debt Service Coverage - Annualized</b>	3.374	4.579	4.579	2.000
<b>Operating Ratio</b>	0.481	0.631	0.513	0.570
<b>Days Unrestricted Cash</b>	143	92	174	
<b>Days Available Cash</b>	69	56	94	90
<b>Debt to Equity</b>	68%	81%	70%	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**

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

	Quarter 1			Quarter 2		Quarter 3		Quarter 4		Total Annual Budget	TOTAL Total Annual Projection	Total Budget Estimate Variance
	Budget Estimate 3/31/14	Actual 3/31/14	Qtrly Variance 3/31/14	Budget Estimate 6/30/14	Projection 6/30/14	Budget Estimate 9/30/14	Projection 9/30/14	Budget Estimate 12/31/14	Projection 12/31/14			
<b>Income Statement</b>												
Operating revenues	\$ 5,362	\$ 5,689	\$ 327	\$ 7,424	\$ 7,424	\$ 13,720	\$ 13,720	\$ 6,100	\$ 6,100	\$ 32,607	\$ 32,933	\$ 327
Operating expenses	5,853	4,854	(999)	5,853	5,853	5,853	5,853	5,853	5,853	23,412	22,413	(999)
Net operating revenue (loss)	(491)	835	1,326	1,571	1,571	7,867	7,867	247	247	9,195	10,520	1,326
Non-operating revenues	86	170	84	86	86	86	86	86	86	345	429	84
Non-operating expenses	890	872	(18)	890	890	890	890	890	890	3,561	3,543	(18)
<b>Income (loss) Before contributed capital</b>	<b>\$ (1,295)</b>	<b>\$ 133</b>	<b>\$ 1,428</b>	<b>\$ 767</b>	<b>\$ 767</b>	<b>\$ 7,063</b>	<b>\$ 7,063</b>	<b>\$ (557)</b>	<b>\$ (557)</b>	<b>\$ 5,979</b>	<b>\$ 7,407</b>	<b>\$ 1,428</b>
Contribution margin	\$ 4,508	\$ 5,125	\$ 616	\$ 6,570	\$ 6,570	\$ 12,866	\$ 12,866	\$ 5,247	\$ 6,558	\$ 29,191	\$ 31,119	\$ 1,928
<b>Capital activity:</b>												
Plant additions - net of contributions	\$ 2,391	\$ 1,538	\$ (853)	\$ 2,391	\$ 2,391	\$ 5,636	\$ 5,636	\$ 2,391	\$ 2,391	\$ 12,809	\$ 11,956	\$ (853)
<b>Total capital</b>	<b>\$2,391</b>	<b>\$1,538</b>	<b>(\$853)</b>	<b>\$2,391</b>	<b>\$2,391</b>	<b>\$5,636</b>	<b>\$5,636</b>	<b>\$2,391</b>	<b>\$2,391</b>	<b>\$12,809</b>	<b>\$11,956</b>	<b>(\$853)</b>
<b>Bond activity:</b>												
Debt service payments	\$ 1,424	\$ 1,258	\$ (166)	\$ 1,424	\$ 1,424	\$ 1,424	\$ 1,424	\$ 1,424	\$ 1,424	\$ 5,696	\$ 5,531	\$ (166)
Bond proceeds - net	-	-	-	-	-	-	-	-	-	-	-	-
Total bond activity	\$ 1,424	\$ 1,258	\$ (166)	\$ 1,424	\$ 1,424	\$ 1,424	\$ 1,424	\$ 1,424	\$ 1,424	\$ 5,696	\$ 5,531	\$ (166)
	Budget Estimate 3/31/14	Actual 3/31/14	Variance 3/31/14	Budget Estimate 6/30/14	Projection 6/30/14	Budget Estimate 9/30/14	Projection 9/30/14	Budget Estimate 12/31/14	Projection 12/31/14	Total Annual Budget	Total Annual Projection	Total Budget Estimate Variance
<b>Unrestricted cash:</b>												
Cash and cash equivalents	\$ 3,400	\$ 2,626	\$ (774)	\$ 2,000	\$ 500	\$ 3,400	\$ 2,500	\$ 3,400	\$ 3,400	\$ 3,400	\$ 3,400	\$ -
Capital improvement reserve	3,500	1,762	(1,738)	3,500	3,330	3,500	3,157	3,500	3,500	3,500	3,500	-
Operating and self-insurance funds	280	382	102	280	280	280	280	280	280	280	280	-
Pension and medical reserve	-	-	-	-	480	-	480	-	480	-	480	480
Alternative water source reserve	-	-	-	-	360	-	366	-	172	-	917	917
Total unrestricted cash	\$ 7,180	\$ 4,770	\$ (2,410)	\$ 5,780	\$ 4,950	\$ 7,180	\$ 6,803	\$ 7,180	\$ 7,832	\$ 7,180	\$ 8,577	\$ 1,397
<b>Restricted cash:</b>												
Construction funds	\$ -	\$ 12,215	\$ 12,215	\$ -	\$ 10,110	\$ -	\$ 8,684	\$ -	\$ 7,258	\$ -	\$ 7,258	\$ 7,258
System development charge reserves	-	787	787	-	429	-	428	-	428	-	428	428
Investments for debt service	-	3,621	3,621	-	1,128	-	1,128	-	1,128	-	1,128	1,128
Total restricted cash	\$ -	\$ 16,623	\$ 16,623	\$ -	\$ 11,667	\$ -	\$ 10,240	\$ -	\$ 8,814	\$ -	\$ 8,814	\$ 8,814

**Footnotes:**

PLEASE NOTE, due to scale of dollar operations being much smaller than the Electric System, Water utility numbers are presented in thousands  
2014 annual adopted budget is estimated by quarter. The projection includes Q1 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