



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Cathy Bloom, Finance Manager; Sue Fahey, Fiscal Services Supervisor;
Deborah Hart, Senior Financial Analyst
DATE: December 31, 2013
SUBJECT: 2014 Water Rates
OBJECTIVE: Approval of 2014 Water Rates

Issue

At the December 3, 2013 Board meeting, management presented proposals for the Water Utility's 2014 budgets and February 2014 rate changes. The rate proposal was for a February 2014 3% overall average rate increase. At the meeting, Commissioners directed staff to increase the 2014 overall average water rate to 6%, and use the difference to begin an Alternative Water Supply (AWS) designated fund. Given that direction, the water rate proposal, water operations & maintenance (O&M) revenues and reserve transfers, and Resolution 1329 require revision.

Background

The attached rate proposal shows a 6% overall average rate increase for residential customers, a 3% overall rate increase for interruptible wholesale customers, and 4% for water districts. Interruptible wholesale customers will not benefit from AWS and have been excluded from funding the reserve. Article IV of the Water District contracts outlines specifically what capital costs can be included in the revenue requirement, and it does not include reserves. This results in a 5.7% overall average rate increase.

Water rates for all customer classes, except Water Districts, would become effective with billings rendered on and after February 1, 2014. Water District rate increases would be effective July 1, 2014 which is consistent with prior years.

The 2014 Water Utility O&M budget has been revised to reflect the higher revenue and deposit to the AWS designated fund. Oregon statutes only require that the Board approve probable expenses before January 1st. Since expenses did not change, Resolution 1327 adopting the 2014 budgets that was approved at the December 3, 2013 Board meeting does not need revision.

Recommendation Requested Board Action

Management recommends approval of revised Resolution 1329 which clarifies the intent of the Board's December 3, 2013 action on the February 2014 Water Rate Proposal.

Attachments

Attachment 1 – Revised February 2014 Water Rate Proposal

Attachment 2 - Revised 2014 Water Utility O&M Revenues and Reserves



Eugene Water & Electric Board
500 East 4th Avenue
Post Office Box 10148
Eugene, Oregon 97440-2148
541-685-7000

February 2014 Water Rate Proposal

**Fiscal Services Department
December 2013 (Revised)**

EUGENE WATER & ELECTRIC BOARD
2014 Water Rate Proposal

TABLE OF CONTENTS

I.	INTRODUCTION.....	1-5
	Purpose of Study	1
	Establishment of Rates.....	2
	Rate Review Process.....	3
	Public Notice and Hearings Schedule.....	4
II.	BACKGROUND INFORMATION	6-9
	A. Organizational Structure	6
	B. Water System Highlights	9
	C. Retail Rate Change	9
III.	REVENUE REQUIREMENTS STUDY.....	10-12
	A. Preparation of Annual Budget.....	10
	B. Test Period Revenue Requirements.....	11
IV.	SYSTEM SALES AND REVENUE FORECAST	13-14
	A. Overview of EWEB's Forecasting Process.....	13
	B. Methodology and Procedures	13
	C. 2014 Forecast Results.....	14
V.	COST OF SERVICE ANALYSIS	15-16
	A. Costing Methods and Procedures	15
	B. Cost of Service Summary	16
VI.	RATE RECOMMENDATIONS.....	17-34
	A. Residential Service (Schedules R-1 and R-2)	18
	B. General Service Inside City Limits (Schedule G-1).....	24
	C. General Service Outside City Limits (Schedule G-2)	27
	D. Sale of Surplus Water (Schedules 4, 5, and 6)	30
	E. Private Fire Lines	34

I INTRODUCTION

Purpose of Study

The purpose of this rate study is to provide background information and technical analyses in support of the Eugene Water & Electric Board (EWEB) management proposal for revised water rates. The study includes documentation of water system revenue requirements, projected system loads and sales, and unit costs for serving water customers during the twelve-month period beginning January 2014. The most recent changes to water rates occurred in February 2013, with an overall average increase of 20%. As proposed, the 2014 Water Rate Proposal is for an overall average increase of 5.7%. This increase is included in the 2014 proposed budget.

In 2012 a comprehensive rate design study was performed and incorporated into the 2013 rate proposal. The study was recommended by management in an effort to design rates that reduced revenue volatility; provided adequate funds for operations and capital infrastructure projects and reserves; maintained systems and level of service; and provided for cost-based, equitable and simple rates.

Drivers for the proposed rate increase are in part due to continued low consumption, the deferral of 10% of the recommended 30% 2013 rate increase, and a reserve to begin funding future Alternative Water Supply costs. The 2014 proposed budget assumes net consumption of 7.4 million kgals which is equivalent to the 2013 budget and slightly lower than actual 2012 consumption and 2013 projected consumption.

In keeping with proposed 2014 budget assumptions, anticipated expenditures, forecasted sales for the 12-month period and the results of a detailed Cost of Service study, EWEB staff is recommending the following adjustments to water rates for each customer class:

<u>Customer Class</u>	<u>Rate Schedule</u>	<u>Increase Proposed</u>
Residential – Inside/Outside City	R-1, R-2	6.0%
General Service – Inside/Outside City	G-1, G-2	6.0%
River Road and Santa Clara WD	4	4.0%
Willamette Water Company WD	5	3.0%
Private Fire Lines		6.0%
Elevation Charges		6.0%
Overall Average Increase		5.7%

If approved by the EWEB Commissioners following the scheduled public hearings, revised water rates will become effective with billings rendered on and after February 1, 2014 with the exception of the Water Districts. Consistent with 2013, the Water Districts' rate increase will become effective July 1, 2014.

Establishment of Rates

EWEB is a locally regulated municipal utility operating under the authority of the Eugene City Charter and pertinent provisions of Oregon law. Five elected Commissioners who serve without pay carry out the responsibilities delegated to the Board pursuant to the City Charter. The EWEB Commissioners have exclusive jurisdiction to approve annual operating budgets and establish rates for water service.

Although EWEB's water rates are not subject to regulatory review by any federal or state utility commission or similar agency, the Board must comply with the requirements of applicable state and federal statutes as they pertain to the development of rates and the general conduct of utility business. Current statutes and related case law provide two general standards concerning the establishment of water rates.

The first of these rate making standards allows EWEB to set rates at a level sufficient to recover the ongoing costs of utility operations. These costs include annual operating expense, requirements for capital additions, interest and amortization of outstanding debts, and additions to reserves. This standard is intended to ensure the financial integrity of the utility, while defining the costs of operation that can be lawfully recovered through rates.

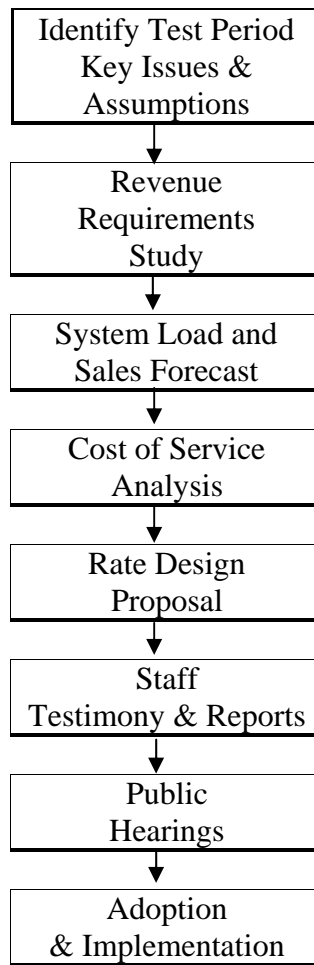
The second standard requires that rates and charges for utility service be fair and non-discriminatory. Rates are considered non-discriminatory when customers receiving like and synchronous service under similar circumstances are treated equally in the development and application of specific rates. This second standard protects the equity concerns of individual utility customers, based on established utility policies and practice for allocating costs among customers and customer classes.

The above standards, together with the established Board policies concerning cost allocation and rate design, allow EWEB to maintain rates at the lowest possible level consistent with sound financial principles and traditional utility rate making practice. They also give EWEB's elected Board of Commissioners complete authority to approve rates that are cost-based, non-discriminatory, and in concert with the needs of EWEB customers.

Rate Review Process

EWEB's water rates are reviewed with each annual budget cycle to ensure that they remain adequate to cover the cost of utility operations over the budget period. When budget projections or other forecasted operating conditions indicate the need for a rate adjustment, EWEB staff is directed to prepare studies which determine appropriate rate levels for each customer class. This formal review process involves several steps, all of which are coordinated with the EWEB Commissioners, General Manager, and management of the utility's operating departments. The process also affords an opportunity for review and comment by EWEB customers and other interested parties (see *Figure 1*).

Figure 1
Rate Review
Process



The first step in the rate review process is a detailed examination of the projected operating costs, capital expenditures, and anticipated revenues at current rates. The purpose of this effort is to confirm the overall revenue requirements that serve as a basis for development of proposed rates, the timing of the proposed rate adjustment, and the period of time (or "test period") over which the new rates are expected to remain in place.

The next step is an assessment of the water system sales forecasts. These projections, consistent with historical and future growth trends in the EWEB service area, are then used to estimate system sales by rate class. Once EWEB's projected operating costs, revenue requirements, and sales forecasts have been determined, a Cost of Service Analysis is performed. This study allocates test period costs to each of EWEB's customer classes and rate schedules in accordance with the manner in which individual cost items are incurred.

EWEB's cost of service procedures employ standard utility industry costing methods, consistent with the policy guidelines established by the Board. A summary of EWEB's cost of service methodology is contained in Section V - Cost of Service Analysis. Based on the extensive cost of service analysis performed in 2013 by water rate design Consultants and the small change in the 2014 revenue requirement, no Cost of Service was performed for 2014. A detailed Cost of Service will be prepared for the 2015 rate proposal. Rate recommendations for each of EWEB's four major customer classes are documented in Section VI - Rate Recommendations.

Public Notice and Hearings Schedule

EWEB's rate review process is a formal, sequential procedure. The underlying objectives of this process are to ensure that EWEB customers and the general public receive adequate notice and explanation of pending rate change proposals, and provide an opportunity for the Board to hear and consider all public comments prior to approval and implementation of revised rates.

Concurrent with the budget approval process, two public hearings are scheduled to provide for official explanation of the rate proposal and gather further public comment. A related legal notice was subsequently placed in a local newspaper.

The name of the newspaper and publication date for the legal notice was as follows:

<u>Publication Name</u>	<u>Date</u>
The Register-Guard	September 30, 2013
The Register-Guard	November 1, 2013

Exhibit 1 contains the text used in the published legal notice.

Customers are invited to comment on EWEB's budget and rate assumptions at public hearings throughout the budget development process. There are two scheduled public hearings specifically for the rate proposals. The hearings will be held during the EWEB Board meetings on Tuesday, November 5, 2013 at 5:30 p.m. and Tuesday, December 3, 2013 at 5:30 p.m. at the EWEB Headquarters, 500 East Fourth Avenue, in Eugene.

Written comments are also welcome and may be sent to the attention of Budget, EWEB's Fiscal Services Department, PO Box 10148, Eugene, OR 97440 or by email to Budget@EWEB.org. For timely consideration, written comments must be received prior to December 2, 2013 to ensure delivery to the Board prior to their scheduled action on the rate proposal.

EXHIBIT 1

BEFORE THE EUGENE WATER & ELECTRIC BOARD

In the Matter of Consideration and
Adoption of Budgets, Revised Charges for
EWEB Electric and Water Service

**NOTICE OF PUBLIC HEARINGS
AND INVITATION TO COMMENT**

Two dates are scheduled for public hearings to seek public comment regarding proposed 2014 budget approval and adjustments to EWEB water and electric rates. If approved, the proposed changes for residential, general service and other customers of the Eugene Water & Electric Board would become effective with utility billings rendered on or after February 1, 2014.

Public hearings will be held in the EWEB Community Room, 500 East 4th Avenue, Eugene, Oregon, on the following dates and times:

November 5, 2013 - 5:30 p.m.
December 3, 2013 - 5:30 p.m.

Background information concerning the budget and rate proposals will be presented at each hearing, followed by opportunity for public testimony and comment.

Specific rate recommendations for each customer class may be obtained beginning October 29, 2013, or by calling EWEB's Fiscal Services Department at (541) 685-7688 or emailing budget@eweb.org. Copies of the budget document and rate proposals will be made available at the public hearing.

Written public comments are also welcome and may be brought to the hearings or mailed to: EWEB Fiscal Services, P.O. Box 10148, Eugene, OR 97440. For timely consideration, written comments must be received prior to the public hearing on November 5, 2013.

E-mail comments may be directed to: susan.fahey@eweb.org

II. BACKGROUND INFORMATION

A. Organizational Structure

The Eugene Water & Electric Board is responsible for providing electric and water service within the City of Eugene and certain outlying areas. The specific duties delegated to the Board pursuant to the Eugene City Charter are carried out by five elected Commissioners who serve without pay. The Commissioners and expiration dates of their respective terms of office are as follows:

	<u>Area</u>	<u>Term Expires December 31,</u>
John Simpson, President	At Large	2014
John Brown, Vice President	Wards 4, 5	2014
Richard Helgeson	Wards 2, 3	2016
James Manning	Wards 6, 7	2016
Steve Mital	Wards 1, 8	2016

As EWEB's primary policy and decision-making body, the individual Board members represent a broad range of professional experience and community perspectives on matters concerning local utility service. The Board meets regularly on the first Tuesday of each month. A second meeting is occasionally held on the third Tuesday of the month. All meetings are open to the public and provide opportunities for public participation.

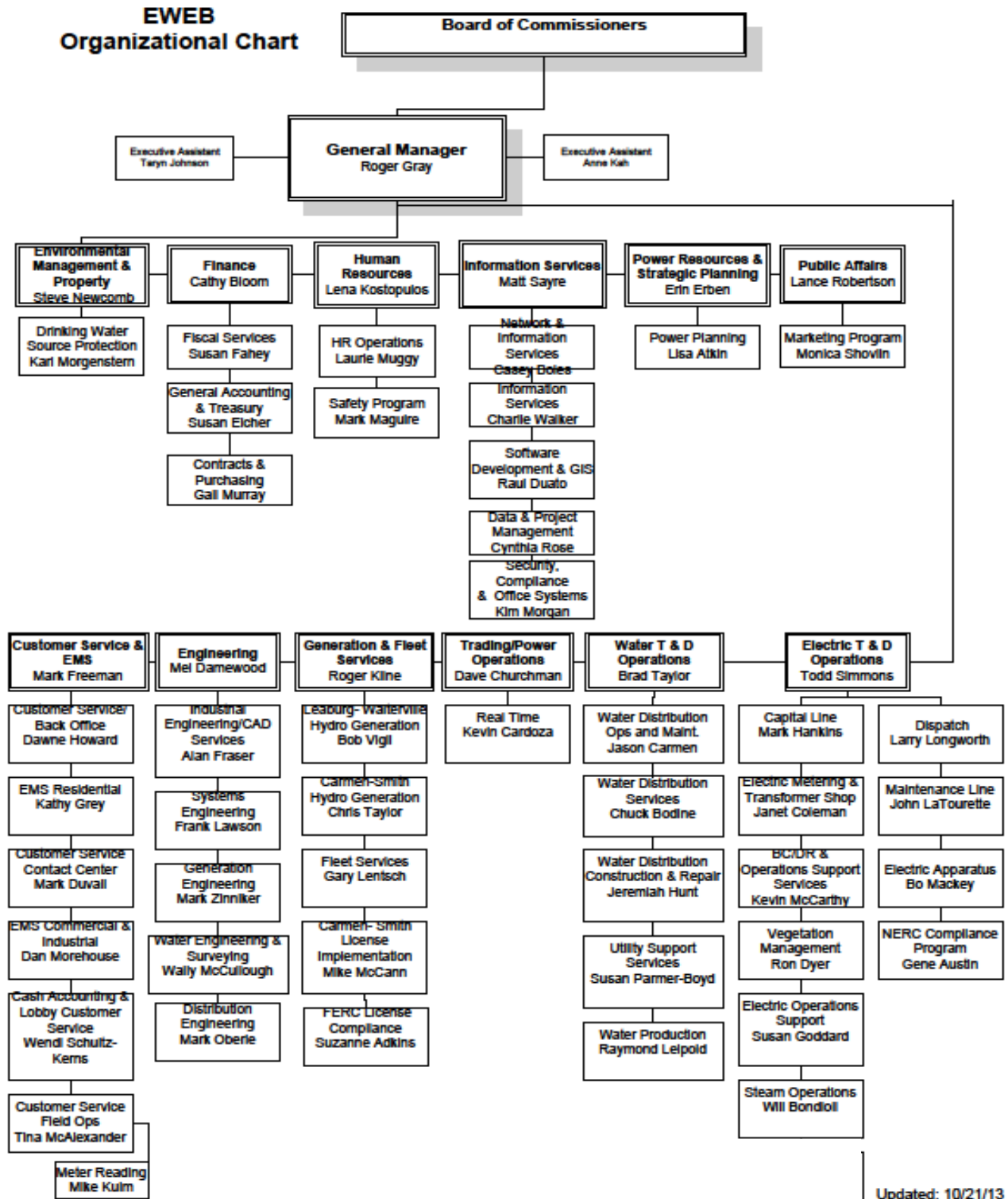
Under the direction of General Manager Roger Gray and the leadership staff, EWEB employed 524 combined electric and water personnel as of third quarter 2013. EWEB's organization chart is shown as Figure 2. The executive and leadership staff, responsible for each of the major operating areas, is as follows:

<u>Executive</u> Roger Gray	<u>Department</u> General Manager
<u>Leadership Team</u> Steve Newcomb Cathy Bloom Lena Kostopulos Matt Sayre Erin Erben Lance Robertson Mark Freeman Mel Damewood Roger Kline Dave Churchman Brad Taylor Todd Simmons	<u>Areas of Responsibility</u> Environmental Management Financial Services Human Resources Information Services Power Resources & Strategic Planning Public Affairs Customer Service & Energy Management Services Engineering Generation & Fleet Services Trading & Power Operations Water Operations Electric Transmission & Distribution Operations

The utility's business priorities are reviewed annually by the Board, General Manager and a planning group made up of the leadership staff and other key personnel. Major organizational goals, strategic issues, opportunities, and planning contingencies for the coming year are then documented in the annual EWEB Strategic Plan. Each work unit derives from the Strategic Plan annual performance targets to address management priorities through ongoing work plans and schedules. The General Manager meets weekly with the Leadership Team members who hold regular meetings with their department staff to maintain employee productivity and efficient operations.

EWEB places a high value on quality service and responsiveness to the needs of its customers. Because of its standards for reliability and design, water service interruptions are infrequent and limited to short duration. Feedback was invited in the recently completed Customer Survey Report where over 1,300 EWEB customers ranked the level of importance and performance satisfaction to core functions of the utility. The survey included questions designed to specifically determine customer spending priorities. The successful Customer Care program continues to assist restricted-income customers in paying their bills. Other feedback comes from the comment forms at the office lobby, on the back of monthly bills, and via online Ask Us. These and other activities reaffirm EWEB's longstanding commitment to the citizens of the Eugene community.

Figure 2



B. Water System Highlights

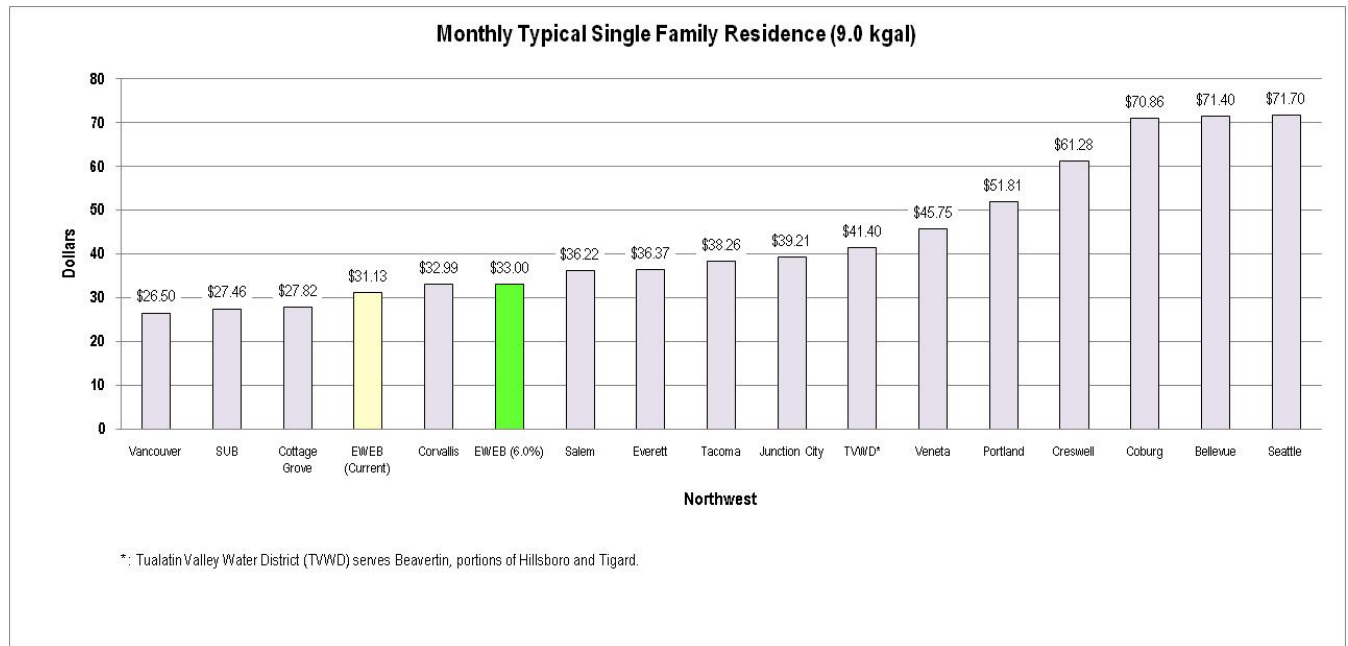
EWEB is the largest publicly owned utility in the state of Oregon. Founded by the citizens of Eugene in 1911, EWEB has remained a successful provider of essential utility services to the local community for over 100 years.

The Water System provides water to all areas within the city, two water districts, and the City of Veneta. Water is supplied from the McKenzie River and is treated at the Hayden Bridge Filtration Plant, one of the largest treatment plants in Oregon. Water is pumped from the Hayden Bridge Filtration Plant into the distribution system through two large transmission mains. The water distribution system consists of 26 enclosed reservoirs with a combined storage capacity of 94 million gallons, 31 pump stations, and approximately 800 miles of distribution mains.

C. Retail Rate Change

A comparison of current monthly residential bills for selected Northwest communities is shown in Figure 3. Sample bills are calculated using EWEB's monthly average single family residence consumption of 9 Kgal. A bill of \$31.13 for EWEB in the figure is calculated using the existing residential rate.

Figure 3



III. REVENUE REQUIREMENTS STUDY

This section contains a general description of EWEB's annual budgeting process. It includes the documentation of EWEB's 2014 proposed budgeted expenses and revenue requirements which has been designated as the test period for the current rate proposal. In addition to determining the overall percentage revenue increase needed to sustain operation of the water utility, the test period revenue requirements are a primary input to the Cost of Service Analysis (see Section V).

A. Preparation of the Annual Budget

At the beginning of each annual budget cycle, the utility's strategic priorities are identified by the Board, General Manager and a planning group made up of the leadership team and other key personnel. Major organizational goals, strategic issues, opportunities, and planning contingencies are then documented in the EWEB Strategic Plan. The Strategic Plan drives specific performance targets to address management priorities through ongoing work assignments and schedules.

Beginning with the 2012 budget development, EWEB management and staff utilized a different approach starting with scenario based budgeting and moving to a priority based budgeting (PBB) approach for subsequent budget development. Given the financial challenges facing both the Electric and Water Utilities, this approach has served EWEB well in its effort to align budgets with EWEB's mission and strategic plan. For the 2013 budget, over 50 positions were eliminated, \$4 million in non-labor operations and maintenance was cut and over \$60 million in capital costs were deferred or eliminated.

Recognizing that EWEB's financial challenges had not been completely addressed by the 2013 budget work, in September 2012 the Leadership Team began identifying strategic financial initiatives and using the PBB process to enhance financial stability. At that time, in order to meet financial targets, "business as usual" was projected to result in 2014 rate increases of approximately 15% for the Water Utility. Additional 2014 budget savings were realized by reducing 25 more positions, \$3.6 million in non-labor operations and maintenance and deferring or eliminating another \$20 million in capital. The additional savings allowed for a reduction of the proposed rate increase from 15% to a 3% overall average rate increase in February. All levels of the EWEB organization are involved in preparation of the annual Water Utility Budget in order to place responsibility for cost control on the managers who project and incur the costs.

After anticipated expenditures have been submitted and reviewed, the results are compiled and compared with historical costs and anticipated revenues for the budget period. When a budget deficit is apparent, efforts are made to reduce operating and capital expenses. If a budget deficit cannot be corrected through cost reductions or deferrals, the amount of the deficit becomes an additional revenue requirement recommended for recovery through a rate adjustment.

A draft budget with explanations on variances from prior years is then discussed with the EWEB Commissioners. The Board reviews the draft budget in detail and may suggest program adjustments and revisions. Public hearings are held to ensure customers have the opportunity to provide feedback. The Board approves a final budget in December which then becomes the operating plan for the next budget year.

All program managers are required to expend funds in a manner consistent with approved budget estimates. As individual projects are authorized, year-to-date balances are compared to projected budgets to ensure that costs continue to track as expected. Any significant deviations are brought to the attention of the Board for review in accordance with Board Policy EL-1. Year-end results are routinely checked against original budgets, with differences noted for potential input to the next year's budget cycle.

B. Test Period Revenue Requirements

EWEB has designated calendar year 2014 as the "test period" for development of water system costs and revenues in this current rate proposal. This corresponds with the annual expenditures included in the 2014 proposed Water Utility Budget. For the February 2014 rate study, staff incorporated the projected sales, revenues and expenditure data from the proposed 2014 budget directly as a basis for this rate proposal.

Table 1 contains a summary of the revenue requirements for the 2014 test period to be recovered through proposed water rates. Column "a" shows the financial results anticipated at current rates, while column "b" indicates the results obtained under management's rate adjustment proposal. As indicated earlier, proposed rates are designed to increase operating revenues by 5.7%, in order to eliminate the deficit that would occur without a rate adjustment. Column "c" reflects the percentage share of total revenues or costs represented by each category.

Table 1

**Water System Revenue Requirements
For 2014 Rate Test Period**

	Current Rates (a)	Revenues at Proposed Rates (b)	% of Total (c)
Revenues			
Rate Revenues	\$ 30,677,000	\$ 32,427,188	80.93%
Bond Proceeds, Interest, and Other Income ¹	<u>7,639,000</u>	<u>7,639,000</u>	<u>19.07%</u>
Total	<u>38,316,000</u>	<u>40,066,188</u>	100.00%
Expenditures			
Operation & Maintenance			
Source of Supply	54,000	54,000	0.30%
Pumping	1,808,000	1,808,000	9.94%
Power for Pumping	585,000	585,000	3.22%
Purification	2,776,000	2,776,000	15.27%
Transmission & Distribution	7,119,000	7,119,000	39.15%
Customer Accounting	1,669,000	1,669,000	9.18%
Conservation	239,000	239,000	1.31%
Administrative & General	<u>3,933,000</u>	<u>3,933,000</u>	<u>21.63%</u>
Subtotal	<u>18,183,000</u>	<u>18,183,000</u>	<u>45.38%</u>
Other Expenditures			
Construction & Capital ²	12,728,000	12,728,000	69.28%
Debt Service, Interest, and Amortization	5,697,000	5,697,000	31.01%
Balance Sheet Changes	<u>(53,000)</u>	<u>(53,000)</u>	<u>-0.29%</u>
Subtotal	<u>18,372,000</u>	<u>18,372,000</u>	<u>45.85%</u>
To Working Cash/Operating Reserves	<u>2,709,000</u>	<u>2,709,000</u>	<u>6.76%</u>
To Alternative Water Supply Fund	<u>802,188</u>	<u>802,188</u>	<u>2.00%</u>
Revenue Requirements	<u>40,066,188</u>	<u>40,066,188</u>	100.00%
Surplus / (Deficiency)	<u>(\$1,750,188)</u>	<u>\$0</u>	
As a % of Rate Revenue	<u>-5.7%</u>	<u>0%</u>	

¹Includes System Development Revenue²Includes Contribution In Aid

IV. SYSTEM SALES AND REVENUE FORECAST

A. Overview of EWEB's Forecasting Process

EWEB routinely prepares both short and long-range water system sales forecasts as part of its ongoing planning activities. Annual projections of total system water sales are prepared using both historical sales data from EWEB records and projected economic and demographic data for the Eugene area. The annual sales forecast forms the basis for revenue projections in the water cost of service analysis.

Basic growth projections for EWEB's system are developed through application of various forecasting methods, which include trending and econometric analysis. System forecasts are examined regularly and adjusted for changing local economic conditions and customer characteristics. The resulting base forecasts become a key input to water resource planning, facilities design and preparation of annual budgets. They also become an integral part of the rate development process as a basis for allocation of operating costs and design of proposed rates for each customer class.

Actual consumption may vary considerably from year to year due to changes in local weather patterns, the economy and commercial activities. The twelve-month period from January through December 2014 was selected for analysis, corresponding with the test period budget and revenue requirements documented in Section III - Revenue Requirements Study. The remainder of this section describes how the system sales forecast is applied to the development of rates and the results obtained for the 2014 test period.

B. Methodology and Procedures

In order to develop appropriate water rates, EWEB's annual system forecast must be translated into a detailed projection of monthly water sales and customer use characteristics for the upcoming rate period. This is done in a manner consistent with original forecast assumptions to arrive at a monthly estimate of customer counts and consumption patterns for each of EWEB's major customer classes.

Projection of monthly customer sales relies on historical data collected by EWEB's Fiscal Services Department from a number of internal sources. Monthly historical sales statistics are obtained from EWEB financial statements and accounting records. In addition, Fiscal Services maintains a detailed record of customer billing statistics for each rate classification. Other local agencies are consulted as necessary for additional data pertinent to the forecasting of utility sales.

Once the basic forecasting data is assembled, it is reviewed for consistency with recent historical trends, budget assumptions and conditions expected to prevail over the rate test period. Such review ensures that the sales forecast used in the rate design process remains consistent with projections used to prepare the EWEB revenue requirements discussed in Section III.

The next step in the forecasting process is to divide the total system forecast into component parts by month and rate class groupings. Historical customer sales statistics were used to calculate current class contribution to annual system sales and typical monthly distribution of consumption for each class. These historical ratios or "spread factors" are then applied to the initial aggregate utility forecast to produce a monthly projection of consumption by rate class.

C. 2014 Forecast Results

The results of EWEB's forecast of sales for the 2014 rate test period are summarized briefly below:

Table 2
**Test Period Forecast of Water Utility
 Customers & Sales by Rate Class
 For January through December 2014**

Customer Class	Count	Kgal Sales (1,000 Gallons)	% of Sales
Residential - Inside City **	46,196	3,595,681	48.3%
Residential - Outside City **	490	47,634	0.6%
General Service - Inside City **	5,191	2,948,749	39.6%
General Service - Outside City **	199	137,322	1.8%
Water Districts	2	614,184	8.3%
Willamette Water Company	1	27,392	0.4%
City of Veneta	2	68,764	0.9%
Private Fire Lines	1,010	N/A	N/A
Total	53,091	7,439,726	100.0%

** Elevation number of customers and consumption sales are included in the above customer classes

V. COST OF SERVICE ANALYSIS

This section documents the procedures used in development of EWEB's Cost of Service study.

A. Costing Methods and Procedures

EWEB's Cost of Service methodology uses standard water utility costing procedures to allocate the test period revenue requirements to each customer class. The allocated costs reflect the contribution of each rate class to total system costs during the period for which rates are being developed. Study results also measure the degree of equity in rates charged to individual customer classes by testing the adequacy of revenues received relative to allocated costs of service. Through this process, the Cost of Service study apportions the test period revenue deficiency as a basis for determining appropriate rate levels and percentage adjustments for each customer class.

The Cost of Service study begins with a detailed assessment of the Utility's draft operating budget and revenue requirements for the upcoming rate period. The current analysis uses the base information contained in the 2014 proposed Water Utility Budget.

Once the total utility revenue requirement has been determined, individual line item costs are grouped according to major utility functions, such as power for pumping, transmission, distribution or customer accounting. Each line item expense is then classified according to its contribution to system peak demands, total water consumption or number of customers for each rate class. Specific items are also identified for direct assignment when they are clearly associated with service to particular rate classes.

The Cost of Service model breaks down the various demand and customer costs into sub-components to assign costs to individual rate classes. Demand-related costs are segregated into peak-day and peak-hour components, while basic customer costs are sub-classified as relating to either "meters and services" or "billing and collecting."

After classification and sub-classification, each cost category is distributed to one or more rate classes through a detailed allocation procedure. Several related analyses are conducted to develop the many allocation factors applied in this step. For example, calculating the class contribution to peak-day demand involves full examination of all customer loads during the test period. Accordingly, the allocation step relies on the sales projections and available load data.

When all of the allocation factors have been developed, they are then applied to yield a segregation of total system costs assigned to the different rate classes. The final step is to combine the calculations in a summary table showing the total allocated costs and recommended percentage adjustments for each customer class. These results can then be represented as unit costs, which form the basis for actual rate design.

Detailed information on specific proposed budget revenue requirements, functional categorization of expenses, and classification of expenses and allocation of the revenue requirement to customer classes is available upon request for the cost of duplication.

B. Cost of Service Summary

As documented previously in Section III, Revenue Requirements Study, EWEB projects total operating costs, capital costs, and reserve deposits for the Water Utility to be \$40.0 million for the 2014 rate test period. A net revenue requirement of \$32.4 million remains after applying a \$7.6 million credit for bond proceeds, interest earnings and other non-rate revenues. At current rates, offsetting water sales revenue of \$30.7 million leaves a remaining budget deficit of approximately \$1.8 million to be recovered through the proposed rate increase.

This \$1.8 million deficit translates directly to an increase in required rate revenues during the test period. In the test period 2014, a Cost of Service study was not performed. Given the extensive nature of the work performed in 2013, and the small increase in revenue requirements, a Cost of Service study was not necessary for 2014. Accordingly, management is recommending a 6% increase across the retail classes, and 3% across the wholesale customers. The Water District rate increase is slightly higher due to the July 1st implementation date.

VI. RATE RECOMMENDATIONS

The purpose of this section is to present staff’s proposal for revisions to each of EWEB’s published water rate schedules. Outside city rates for each retail class have a rate differential of 30%.

For each customer class tables showing projected billing units, current and proposed rates and projected revenue, and a summary of anticipated customer impacts follow.

Revenue requirements and proposed increases for each of EWEB’s major customer classes are shown in the table below.

Table 3

**2014 Proposed Revenue
by Customer Class**

Customer Class	Rate Schedule (s)	Revenue Requirement	Proposed Rate Revenue	Proposed Rate Change
Residential **	R-1, R-2	\$ 17,206,039	\$ 18,067,244	6.0%
General Service **	G-1, G-2	11,046,913	11,797,914	6.0%
Water Districts	4	1,534,783	1,631,154	4.0%
Willamette Water Company	5	93,081	100,175	3.0%
City of Veneta	6	87,000	89,610	3.0%
Private Fire Lines		709,000	741,091	6.0%
Total		\$30,676,816	\$32,427,188	5.7%

***Elevation Charges included in Residential and General Service*

A. Residential Service – Schedules R-1 and R-2

Residential customers are served under Schedule R-1, which applies to single family and smaller multi-family dwellings inside the City of Eugene. The rate schedule consists of a fixed monthly basic charge depending on meter size and a 3-tiered usage rate applied to all monthly metered consumption. Residential customers outside the City of Eugene are served under Schedule R-2, which includes a 30% rate differential from R-1.

The rate increase for residential customers varies depending on consumption and meter size as illustrated in *Table 4*. The \$1, \$3 or \$5 elevation monthly base charge depending on pumping level is proposed to remain the same. *Table 5* provides information on rate and monthly bill comparison using current and proposed rates for a residential customer within the City of Eugene and outside of an elevation zone. *Tables 6-9* provide information on the calculation of revenues at current and proposed rates.

Table 4
Water
Residential Service –Within City Limits, SCHEDULE R-1
Existing vs. Proposed Rates

	Existing Rates	Proposed Rates	
Basic Charge			
5/8"	\$16.50	\$17.49	per month
3/4"	\$17.17	\$18.20	per month
1"	\$22.27	\$23.61	per month
1-1/2"	\$34.08	\$36.12	per month
2"	\$61.06	\$64.72	per month
3"	\$137.55	\$145.80	per month
Volume Charge			
First 8 kgal	\$1.510	\$1.601	per kgal
Next 22 kgal	\$2.550	\$2.703	per kgal
over 30 kgal	\$4.130	\$4.378	per kgal
Elevation Charge			
Pumping Level 1	\$0.220	\$0.244	per kgal
Pumping Level 2	\$0.440	\$0.488	per kgal
Pumping Level 3	\$0.650	\$0.722	per kgal

**Table 5
EUGENE WATER & ELECTRIC BOARD
Rate and Monthly Bill Comparison**

**RESIDENTIAL SERVICE WITHIN CITY LIMITS
SCHEDULE R-1**

Meter Size	Monthly Kgal Level	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Dollar Difference	Percent Difference
5/8 inch	0	\$16.50	\$17.49	\$0.99	6.0%
	1	\$18.01	\$19.09	1.08	6.0%
	2	\$19.52	\$20.69	1.17	6.0%
	3	\$21.03	\$22.29	1.26	6.0%
	4	\$22.54	\$23.89	1.35	6.0%
	5	\$24.05	\$25.50	1.45	6.0%
	6	\$25.56	\$27.10	1.54	6.0%
	7	\$27.07	\$28.70	1.63	6.0%
	8	\$28.58	\$30.30	1.72	6.0%
	9	\$31.13	\$33.00	1.87	6.0%
	10	\$33.68	\$35.70	2.02	6.0%
	12	\$38.78	\$41.11	2.33	6.0%
	15	\$46.43	\$49.22	2.79	6.0%
	20	\$59.18	\$62.73	3.55	6.0%
	25	\$71.93	\$76.25	4.32	6.0%
	30	\$84.68	\$89.76	5.08	6.0%
	35	\$105.33	\$111.65	6.32	6.0%
	40	\$125.98	\$133.54	7.56	6.0%
	45	\$146.63	\$155.43	8.80	6.0%

PRESENT RATES		PROPOSED RATES	
<u>Basic Charge</u>		<u>Basic Charge</u>	
5/8"	\$16.50	5/8"	\$17.49
1"	22.27	1"	23.61
1 1/2"	34.08	1 1/2"	36.12
2"	61.06	2"	64.72
<u>Volume \$/gallons</u>		<u>Volume \$/gallons</u>	
First 8,000 gallons	\$1.51	First 8,000 gallons	\$1.60
Next 22,000 gallons	\$2.55	Next 22,000 gallons	\$2.70
All over 30,000 gallo	\$4.13	All over 30,000 gallons	\$4.38

Table 6
Calculation of the Revenues at Present and Proposed Rates
SCHEDULE R-1 - Residential Water Service Inside City Limits
 Estimated 12 Months Ended December 31, 2014

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates ^[1]	Proposed Charge	Proposed Annual Revenue ^[1]
BASIC CHARGE						
5/8"	42,401	508,812	\$16.50	\$8,237,666	\$17.49	\$8,857,145
3/4"	218	2,616	\$17.17	\$44,073	\$18.20	\$47,387
1"	3,477	41,724	\$22.27	\$911,739	\$23.61	\$980,444
1 - 1/2"	94	1,128	\$34.08	\$37,720	\$36.12	\$40,552
2"	6	72	\$61.06	\$4,314	\$64.72	\$4,638
Total	46,196	554,352		\$9,235,512		\$9,930,165
VOLUME CHARGE						
First 8,000 gallons	63.3%	2,277,603	\$1.510	\$3,408,231	\$1.601	\$3,630,795
Next 22,000 gallons	28.6%	1,028,173	2.550	2,616,247	2.703	2,776,345
Over 30,000 gallons	8.1%	289,905	4.130	1,193,833	4.378	1,267,452
Total		3,595,681		\$7,218,310		\$7,674,593
Total Calculated Revenue				\$16,453,822		\$17,604,759
Revenue Increase						\$1,150,936

[1] Present and proposed revenues include one month at prior rates and eleven months at existing/proposed rates

Table 7
Calculation of the Revenues at Present and Proposed Rates
SCHEDULE R-2 - Residential Water Service Outside City Limits
 Estimated 12 Months Ended December 31, 2014

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates ^[1]	Proposed Charge	Proposed Annual Revenue ^[1]
BASIC CHARGE						
5/8"	424	5,088	\$21.45	\$107,336	\$22.75	\$115,201
3/4"	2	24	\$22.30	\$528	\$23.65	\$565
1"	59	708	\$28.95	\$20,197	\$30.70	\$21,632
1 - 1/2"	4	48	\$44.30	\$2,096	\$46.95	\$2,243
2"	1	12	\$79.40	\$940	\$84.15	\$1,005
Total	490	5,880		\$131,097		\$140,646
VOLUME CHARGE						
First 8,000 gallons	62.9%	29,969	\$1.963	\$60,382	\$2.081	\$62,103
Next 22,000 gallons	28.9%	13,758	\$3.315	45,453	3.514	48,298
Over 30,000 gallons	8.2%	3,907	\$5.369	20,728	5.691	22,205
Total		47,634		\$126,563		\$132,607
Total Calculated Revenue				\$257,659		\$273,253
Revenue Increase						\$15,593

[1] Present and proposed revenues include one month at prior rates and eleven months at existing rates

Table 8
Calculation of the Revenues at Present and Proposed Rates
ELEVATION CHARGES - Consumption Charges
 Estimated 12 Months Ended December 31, 2014

Pumping Level	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates ^[1]	Proposed Charge	Proposed Annual Revenue ^[1]
Residential Inside City						
1	All KGAL	414,112	\$0.220	\$90,718	\$0.244	\$100,498
2	All KGAL	212,170	\$0.440	\$92,947	\$0.488	\$102,980
3	All KGAL	126,107	\$0.650	\$81,651	\$0.722	\$90,551
Total		752,389		\$265,317		\$294,029
Residential Inside City						
1	All KGAL	2,420	\$0.220	\$530	\$0.244	\$587
2	All KGAL	7,271	\$0.440	\$3,186	\$0.488	\$3,530
3	All KGAL	12,540	\$0.650	\$8,120	\$0.722	\$9,005
Total		22,231		\$11,836		\$13,122
General Service Inside City						
1	All KGAL	68,623	\$0.220	\$15,029	\$0.244	\$16,648
2	All KGAL	15,075	\$0.440	\$6,602	\$0.488	\$7,314
3	All KGAL	5,991	\$0.650	\$3,878	\$0.722	\$4,300
Total		89,689		\$25,509		\$28,263
General Service Outside City						
1	All KGAL	1,151	\$0.220	\$252	\$0.244	\$279
2	All KGAL	0	\$0.440	\$0	\$0.488	\$0
3	All KGAL	592	\$0.650	\$383	\$0.722	\$424
Total		1,743		\$634		\$702
Total Calculated Revenue				\$303,296		\$336,116

[1] Present and proposed revenues include one month at prior rates and eleven months at existing rates

Table 9
Calculation of the Revenues at Present and Proposed Rates
ELEVATION CHARGES - Meter Charges
 Estimated 12 Months Ended December 31, 2014

Pumping Level	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates ^[1]	Proposed Charge	Proposed Annual Revenue ^[1]
Residential Inside City						
1	5,565	66,780	\$1.00	\$66,780	\$1.00	\$66,780
2	2,399	28,788	\$3.00	\$86,364	\$3.00	\$86,364
3	951	11,412	\$5.00	\$57,060	\$5.00	\$57,060
Total	8,915	106,980		\$210,204		\$210,204
Residential Outside City						
1	24	288	\$1.00	\$288	\$1.00	\$100,498
2	62	744	\$3.00	\$2,232	\$3.00	\$102,980
3	78	936	\$5.00	\$4,680	\$5.00	\$90,551
Total	164	1,968		\$7,200		\$294,029
General Service Inside City						
1	102	1,224	\$1.00	\$1,224	\$1.00	\$1,224
2	26	312	\$3.00	\$936	\$3.00	\$936
3	11	132	\$5.00	\$660	\$5.00	\$660
Total	139	1,668		\$2,820		\$2,820
General Service Outside City						
1	3	36	\$1.00	\$36	\$1.00	\$36
2	1	12	\$3.00	\$36	\$3.00	\$36
3	1	12	\$5.00	\$60	\$5.00	\$60
Total	5	60		\$132		\$132
Total Calculated Revenue - Fixed				\$213,156		\$213,156

[1] Present and proposed revenues include one month at prior rates and eleven months at existing/proposed rates

B. General Service Inside City Limits (Schedule G-1)

EWEB's commercial and industrial customers inside the City of Eugene are presently served at the General Service rate Schedule G-1. This rate also applies to larger multi-family residential accounts. Under the General Service schedule, EWEB provides all distribution and service facilities necessary to meet the water requirements of the customer.

Table 10 provides information on revenues at existing rates and revenues at proposed rates. *Table 11* provides information on monthly bill comparisons at existing and proposed rates.

Table 10
Calculation of the Revenues at Present and Proposed Rates
SCHEDULE G-1 - General Service Water Service Inside City Limits
 Estimated 12 Months Ended December 31, 2014

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates ^[1]	Proposed Charge	Proposed Annual Revenue ^[1]
BASIC CHARGE						
5/8"	1,795	21,540	\$16.50	\$347,297	\$17.49	\$374,958
3/4"	40	480	\$17.17	\$8,060	\$18.20	\$8,695
1"	1,473	17,676	\$22.27	\$384,836	\$23.61	\$415,357
1 - 1/2"	1,003	12,036	\$34.08	\$400,989	\$36.12	\$432,694
2"	555	6,660	\$61.06	\$397,508	\$64.72	\$429,004
3"	101	1,212	\$137.55	\$162,905	\$145.80	\$175,876
4"	55	660	\$234.85	\$151,462	\$248.94	\$163,525
6"	99	1,188	\$352.40	\$409,096	\$373.54	\$441,673
8"	67	804	\$510.10	\$400,758	\$540.71	\$432,680
10"	3	36	\$720.45	\$25,344	\$763.68	\$27,363
Total	5,191	62,292		\$2,688,254		\$2,901,824
VOLUME CHARGE						
All KGAL (1,000 gallons)		2,948,749	\$2.590	\$7,582,108	\$2.745	\$8,067,685
Total Calculated Revenue				\$10,270,362		\$10,969,509
Average Cost per KGAL (1,000 gallons)						\$3.72

[1] Present and proposed revenues include one month at prior rates and eleven months at existing rates

Table 11
 EUGENE WATER & ELECTRIC BOARD
 Rate and Monthly Bill Comparison

GENERAL SERVICE INSIDE CITY LIMITS
 SCHEDULE G-1

Monthly Usage Level (KGAL)	5/8" SERVICE			1" SERVICE			2" SERVICE			4" SERVICE			6" SERVICE		
	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.
0	\$16.50	\$17.49	6.0%												
5	29.45	31.22	6.0%												
10	42.40	44.94	6.0%	\$48.17	\$51.06	6.0%									
15	55.35	58.67	6.0%	61.12	64.79	6.0%									
20	68.30	72.39	6.0%	74.07	78.51	6.0%	\$112.86	\$119.62	6.0%						
25	81.25	86.12	6.0%	87.02	92.24	6.0%	125.81	133.35	6.0%						
30	94.20	99.84	6.0%	99.97	105.96	6.0%	138.76	147.07	6.0%						
40	120.10	127.29	6.0%	125.87	133.41	6.0%	164.66	174.52	6.0%						
50	146.00	154.74	6.0%	151.77	160.86	6.0%	190.56	201.97	6.0%	\$364.35	\$386.19	6.0%			
75				216.52	229.49	6.0%	255.31	270.60	6.0%	429.10	454.82	6.0%			
100				281.27	298.11	6.0%	320.06	339.22	6.0%	493.85	523.44	6.0%	\$611.40	\$648.04	6.0%
200				540.27	572.61	6.0%	579.06	613.72	6.0%	752.85	797.94	6.0%	870.40	922.54	6.0%
250				669.77	709.86	6.0%	708.56	750.97	6.0%	882.35	935.19	6.0%	999.90	1,059.79	6.0%
500							1,356.06	1,437.22	6.0%	1,529.85	1,621.44	6.0%	1,647.40	1,746.04	6.0%
750										2,177.35	2,307.69	6.0%	2,294.90	2,432.29	6.0%
1,000										2,824.85	2,993.94	6.0%	2,942.40	3,118.54	6.0%
1,500													4,237.40	4,491.04	6.0%
2,000													5,532.40	5,863.54	6.0%
2,500													6,827.40	7,236.04	6.0%

C. General Service Outside City Limits (Schedule G-2)

EWEB also offers a General Service water rate for customers located outside the Eugene city limits. The schedule applies to commercial and industrial customers alike, as their total number is comparatively few.

The rate structure of this schedule is identical to General Service (Schedule G-1). The only distinction is a differential in the rates themselves. EWEB and other water utilities typically charge a higher rate to retail customers outside the city boundary in recognition of cost differences for serving non-municipal customers. Rate schedule G-2 includes a 30% rate differential from rate schedule G1.

Table 12 provides information on revenues at existing rates and revenue at proposed rates. *Table 13* provides information on monthly bill comparisons at existing and proposed rates.

Table 12
Calculation of the Revenues at Present and Proposed Rates
SCHEDULE G-2- General Service Water Service Outside City Limits
 Estimated 12 Months Ended December 31, 2014

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates ^[1]	Proposed Charge	Proposed Annual Revenue ^[1]
BASIC CHARGE						
5/8"	82	984	\$21.45	\$20,758	\$22.75	\$22,279
3/4"	0	0	\$22.30	\$0	\$23.65	\$0
1"	40	480	\$28.95	\$13,693	\$30.70	\$14,666
1 - 1/2"	18	216	\$44.30	\$9,434	\$46.95	\$10,094
2"	14	168	\$79.40	\$13,162	\$84.15	\$14,071
3"	5	60	\$178.80	\$10,544	\$189.55	\$11,319
4"	3	36	\$305.30	\$10,781	\$323.60	\$11,595
6"	8	96	\$458.10	\$43,155	\$485.60	\$46,398
8"	22	264	\$663.15	\$171,769	\$702.90	\$184,691
Total	192	2,304		\$293,296		\$315,112
VOLUME CHARGE						
All KGAL (1,000 gallons)		137,322	\$3.367	\$454,159	\$3.569	\$487,755
Total Calculated Revenue				\$747,455		\$802,867
Average Cost per KGAL (1,000 gallons)						\$5.85

[1] Present and proposed revenues include one month at prior rates and eleven months at existing/proposed rates

Table 13
 EUGENE WATER & ELECTRIC BOARD
 Rate and Monthly Bill Comparison
 GENERAL SERVICE OUTSIDE CITY LIMITS
 SCHEDULE G-2

Monthly Usage Level (KGAL)	5/8" SERVICE			1" SERVICE			2" SERVICE			4" SERVICE			6" SERVICE		
	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.
0	\$21.45	\$22.74	6.0%												
5	38.29	40.60	6.0%												
10	55.12	58.44	6.0%	\$62.62	\$66.39	6.0%									
15	71.96	76.29	6.0%	79.46	\$84.24	6.0%									
20	88.79	94.13	6.0%	96.29	\$102.08	6.0%	\$146.74	\$155.53	6.0%						
25	105.63	111.98	6.0%	113.13	\$119.93	6.0%	163.58	\$173.38	6.0%						
30	122.46	129.82	6.0%	129.96	\$137.77	6.0%	180.41	\$191.22	6.0%						
40	156.13	165.51	6.0%	163.63	\$173.46	6.0%	214.08	\$226.91	6.0%						
50	189.80	201.20	6.0%	197.30	\$209.15	6.0%	247.75	\$262.60	6.0%	\$473.65	\$502.05	6.0%			
75				281.48	\$298.38	6.0%	331.93	\$351.83	6.0%	557.83	591.28	6.0%			
100				365.65	\$387.60	6.0%	416.10	\$441.05	6.0%	642.00	680.50	6.0%	\$794.80	\$842.50	6.0%
200				702.35	\$744.50	6.0%	752.80	\$797.95	6.0%	978.70	1,037.40	6.0%	1,131.50	\$1,199.40	6.0%
250				870.70	\$922.95	6.0%	921.15	\$976.40	6.0%	1,147.05	1,215.85	6.0%	1,299.85	\$1,377.85	6.0%
500							1,762.90	\$1,868.65	6.0%	1,988.80	2,108.10	6.0%	2,141.60	\$2,270.10	6.0%
750										2,830.55	3,000.35	6.0%	2,983.35	\$3,162.35	6.0%
1,000										3,672.30	3,892.60	6.0%	3,825.10	\$4,054.60	6.0%
1,500													5,508.60	\$5,839.10	6.0%
2,000													7,192.10	\$7,623.60	6.0%
2,500													8,875.60	\$9,408.10	6.0%

D. Sale of Surplus Water (Schedules 4, 5, and 6)

EWEB provides firm surplus wholesale water to Santa Clara and River Road Water Districts and surplus wholesale water to Willamette Water Company and the City of Veneta. Each district has two contractual agreements with EWEB, one is for the service to be provided by EWEB and a second is for the supply of firm surplus water. Rates include a basic and a volume charge. The proposed annual rate increase averages approximately 4.0 % for River Road and Santa Clara Water Districts. Under current contract, the Water Districts will pay their share of Alternate Water Supply costs when the costs are incurred. Willamette Water Company and the City of Veneta are surplus water agreements and will not receive benefit from an Alternate Water Supply. Willamette Water Company's proposed rate increase is approximately 3%. EWEB began supplying water to the City of Veneta beginning in October of 2013. The proposed rate increase for the City of Veneta is 3%. *Tables 14, 15, and 16* provide information on revenues at existing rates and revenue at proposed rates.

Table 14
Calculation of the Revenues at Present and Proposed Rates
SCHEDULE 4 - Service to Santa Clara and River Road Water Districts
 Estimated 12 Months Ended December 31, 2014

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates ^[1]	Proposed Charge	Proposed Annual Revenue ^[1]
BASIC CHARGE						
4"	0	0	\$0.00	\$0	\$460.46	\$0
6"	5	60	\$1,003.25	\$54,890	\$1,043.38	\$61,399
8"	1	12	\$1,732.50	\$18,957	\$1,801.80	\$21,206
Total	6	72		\$73,848		\$82,605
VOLUME CHARGE						
Jan-June 2014	All KGAL	228,842	see note [2]	\$466,753	\$2.580	\$590,412
July - Dec 2014	All KGAL*	385,342	\$2.580	994,183	\$2.683	1,033,873
Total		614,184		\$1,460,935		\$1,624,285
Total Calculated Revenue				\$1,534,783		\$1,706,890
Average Cost per KGAL (1,000 gallons)						\$2.78

* July 1, 2014 effective date

[1] Present and proposed revenues include six months at prior rates and six months at existing/proposed rates

[2] In 2013 the Jan-June rate is a melded rate of \$1.914 and \$2.249

Table 15
Calculation of the Revenues at Present and Proposed Rates
SCHEDULE 5 - Willamette Water Company
 Estimated 12 Months Ended December 31, 2014

Meter Size	Projected	Projected	Revenue @		Proposed	Proposed
	Active Services	Annual Consumption	Existing Charge	Existing Rates ^[1]	Charge	Annual Revenue ^[2]
BASIC CHARGE						
5/8"	5		\$21.45	\$1,181	\$22.09	\$1,322
3/4"	0		\$22.30	\$0	\$22.97	\$0
1"	1		\$28.95	\$322	\$29.82	\$357
1 - 1/2"	0		\$44.30	\$0	\$45.63	\$0
2"	0		\$79.40	\$0	\$81.78	\$0
3"	0		\$178.80	\$0	\$184.16	\$0
4"	0		\$305.30	\$0	\$314.46	\$0
6"	0		\$458.10	\$0	\$471.84	\$0
8"	1		\$663.15	\$7,207	\$683.04	\$8,177
Total	7			\$8,710		\$9,856
VOLUME CHARGE						
All KGAL (1,000 gallons)	27,392		\$3.280	\$84,371	\$3.378	\$92,304
Total Calculated Revenue				\$93,081		\$102,160

Average Cost per KGAL (1,000 gallons) \$3.73

[1] Present revenues include six months at prior rates and six months at existing rates

[2] Proposed revenues include one month at existing rates and eleven months at proposed rates

Table 16
Calculation of the Revenues at Present and Proposed Rates
SCHEDULE 6 - City of Veneta
 Estimated 12 Months Ended December 31, 2014

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates	Proposed Annual Charge	Proposed Annual Revenue ^[1]
BASIC CHARGE						
8"	1		\$1,732.50	\$1,733		
8"	2	see note [2]			\$892.24	\$1,784
Total	1			\$1,733		\$1,784
VOLUME CHARGE						
All KGAL (1,000 gallons)	68,764		\$1.240	\$85,267	\$1.277	\$87,825
Total Calculated Revenue				\$87,000		\$89,610
Average Cost per KGAL (1,000 gallons)						\$1.30

[1] Proposed revenues include one month at existing rates and eleven months at proposed rates
 [2] After schedule 6 was approved it was determined that operationally water needed to flow thru two meters

E. Private Fire Lines

Private fire lines are separate attachments or services to the system for the provision of sufficient water capacity to meet fire requirements. The services are typically larger than the customer's normal domestic line, but conduct water for emergency use only. The fire protection is usually a requirement of the municipal fire chief, insurance companies or both. Since there is no routine water consumption for a private fire line, the only charge for the service is a flat rate per month, based on the per-inch diameter of the pipe.

The monthly minimum is set at a 4-inch size for customers within the city and is currently \$9.99 per month for each inch diameter of pipe with a \$38.80 minimum charge. Rates charged to outside City customers are similarly based on the 4-inch size and are \$12.72 per month per inch diameter with a \$49.40 per month minimum.

In this proposal, management recommends a 6% change to fire line rates. Rates for fire lines are contained within the Customer Service Policy & Procedures for General Service Inside and Outside City.

EUGENE WATER & ELECTRIC BOARD
 WATER UTILITY OPERATIONS & MAINTENANCE BUDGET
 2014 BUDGET COMPARED WITH 2013 BUDGET AND 2012 ACTUAL

	2014 Budget		2013 Budget		2012 Actual	
	Gal (000)	REVENUE	Gal (000)	REVENUE	Gal (000)	REVENUE
Residential/Water Districts	4,257,499	\$ 19,888,000	4,290,910	\$ 18,361,000	4,505,441	\$ 14,707,154
Commercial	3,182,227	\$ 12,539,000	3,141,105	11,953,000	3,268,910	11,513,438
Operating revenues	7,439,726	32,427,000	7,432,015	30,314,000	7,774,351	26,220,592
Other revenue		1,236,000		1,044,000		539,981
Interest income		65,000		68,000		
Non-operating revenues		1,301,000		1,112,000		539,981
Total revenues		33,728,000		31,426,000		26,760,573
Production		2,830,000		3,539,000		3,118,231
Transmission & distribution		9,512,000		7,627,000		7,063,149
Customer accounting		1,669,000		1,439,000		1,164,333
Conservation		239,000		220,000		323,198
Administrative & general		3,933,000		6,022,000		4,046,176
Operating expenses		18,183,000		18,847,000		15,715,087
Change in balance sheet accounts		(53,000)		40,000		
Total operations and maintenance budget		18,130,000		18,887,000		
Rate funded capital		6,390,000		6,653,000		
Roosevelt lease payment		1,187,000		1,187,000		
Debt service		4,510,000		4,069,000		
Total rate funded capital related expenses		12,087,000		11,909,000		
Total rate-funded expenses		30,217,000		30,796,000		
Revenues over expenses		\$ 3,511,000		\$ 630,000		
Deposit to Working Cash/Reserves		\$ 2,709,000		\$ 630,000		
Deposit to Alternative Water Supply Fund		802,000		-		
Net change in reserves		\$ 3,511,000		\$ 630,000		

Net revenue available for capital, working cash and reserves \$ 7,460,223

Note: Dollars rounded to nearest thousand.

**RESOLUTION NO. 1329
DECEMBER 2013 (Revised January 2014)**

**EUGENE WATER & ELECTRIC BOARD
FEBRUARY 2014 REVISED WATER RATES**

WHEREAS, the Eugene Water & Electric Board (EWEB) is a customer-owned municipal utility chartered to operate and maintain the water utility system;

WHEREAS, EWEB sets its rates based in part on costs to serve;

WHEREAS, the 2014 budget indicates a revenue deficiency at current rates;

WHEREAS, a ~~6.0~~5.7 percent overall average increase in water rate revenues is recommended to recover \$31.6 million of the \$33.~~8~~7 million total revenue requirement in annual costs associated with the ongoing operation and maintenance of EWEB's water system;

WHEREAS, ~~3.0 percent~~the difference between the initially proposed 3% and the 5.7% overall average increase of that increase will be set aside to fund future Alternative Water Supply costs;

WHEREAS, two presentations and public hearings on the water rate proposal were conducted on November 5, 2013 and December 3, 2013;

NOW, THEREFORE, BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the General Manager to adjust water rates and reflect those rates in updated Policies & Procedures as ~~recommended~~presented in the February 2014 Water Rate Proposal ~~presented at and approved after the second Board public hearing~~;

DATED this ~~7th~~3rd day of ~~December 2013~~January 2014.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, TARYN M. JOHNSON, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its ~~December 3, 2013~~January 7, 2014 Regular Board Meeting.

Assistant Secretary

**RESOLUTION NO. 1329
DECEMBER 2013 (Revised January 2014)**

**EUGENE WATER & ELECTRIC BOARD
FEBRUARY 2014 REVISED WATER RATES**

WHEREAS, the Eugene Water & Electric Board (EWEB) is a customer-owned municipal utility chartered to operate and maintain the water utility system;

WHEREAS, EWEB sets its rates based in part on costs to serve;

WHEREAS, the 2014 budget indicates a revenue deficiency at current rates;

WHEREAS, a 5.7 percent overall average increase in water rate revenues is recommended to recover \$31.6 million of the \$33.7 million total revenue requirement in annual costs associated with the ongoing operation and maintenance of EWEB's water system;

WHEREAS, the difference between the initially proposed 3% and the 5.7% overall average increase will be set aside to fund future Alternative Water Supply costs;

WHEREAS, two presentations and public hearings on the water rate proposal were conducted on November 5, 2013 and December 3, 2013;

NOW, THEREFORE, BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the General Manager to adjust water rates and reflect those rates in updated Policies & Procedures as presented in the February 2014 Water Rate Proposal

DATED this 7th day of January 2014.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, TARYN M. JOHNSON, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its January 7, 2014 Regular Board Meeting.

Assistant Secretary