

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
DECEMBER 3, 2013
5:30 P.M.

Commissioners Present: John Simpson, President; John Brown, Vice President; Dick Helgeson, James Manning, and Steve Mital

Others Present: Cathy Bloom, Deborah Hart, Susan Eicher, Sue Fahey, Jason Heuser, Brad Taylor, Harvey Hall, Edward Yan, Joe Harwood, Lance Robertson, Matt Sayre, Adam Rue, Mark Freeman, Jeannine Parisi, Frank Lawson, Tom Williams, Sheila Crawford, Mel Damewood, Lena Kostopulos, Wendi Schultz-Kerns, Steve Newcomb, Erin Erben, Steve Mangan, Dave Churchman, Todd Simmons, Lisa McLaughlin, Roger Kline, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:33 p.m.

AGENDA CHECK

There were no items.

ITEMS FROM BOARD MEMBERS

Commissioner Manning stated that he had attended a presentation regarding the plans to repair Leaburg Dam. He added that the Board received feedback from residents regarding both the repair of the dam and considerations for modifications to the speed humps/bumps on Leaburg Dam Road.

Commissioner Mital stated that this meeting completes a one-year cycle for him and that he has loved the entire experience and is richer for it. He thanked staff, General Manager Roger Gray, and Taryn Johnson, Assistant to the General Manager and Board, for their help. He singled out President Simpson and Vice President Brown for their mentorship and patience with him.

He then stated that he joined 1,100 Eugene residents for EWEB's annual Run to Stay Warm on November 24, 2013, which raised \$22,000 for EWEB's Customer Care program that assists low-income, seniors, and other qualified customers with paying their EWEB bills. He noted that it is the only event that EWEB puts on where EWEB is the recipient and people pay EWEB to participate, and that it showcases the positive feelings and spirits of EWEB and the community. He acknowledged Shelley Stevenson, Energy Management Specialist II; Zulema Jones, Customer Service Analyst; and Cheryl Froehlich, Administrative Assistant II, for their assistance.

He then stated that he attended a Springfield Utility Board (SUB) Board meeting about 3-4 weeks ago, as EWEB is looking at ways to strengthen and continue its relationship with SUB and its Board. He said that their Board meetings are very different from EWEB's with significantly fewer people attending, zero public testimony, and the entire meeting lasting 1-1/2 hours, which SUB staff had said was one of their longer meetings. He said it is clear that SUB is a significantly more simple organization and noted that replacement of their metering system is up for debate, with no discussion about replacing their existing meters with advanced metering infrastructure (AMI) but ways to make meter reading more efficient and no two-way radios. He noted that SUB is a 100% Bonneville Power Administration (BPA) customer and that peak shifting is not an issue for them, and that in his monthly meeting with General Manager Gray, they had invited the general manager of SUB, Jeff Nelson, to continue discussions about how EWEB and SUB might work together to resolve EWEB's water reliability issues and SUB's needs as well, and that when that is complete, there may be some ways for EWEB and SUB to work together.

He then related that his disabled brother had bought a condominium in a Eugene low-income 60-unit development and they considered conversion to a modern heating system instead of ceiling heat, and asked for a cost estimate for the conversion. When he called the homeowners association to ask for permission to install a ductless heat pump, the manager was very familiar with ductless heat pumps, but told him that no one had ever asked for permission to do that. He said he was amazed that there are 60 identical units in this condominium complex, all with ceiling heat, and that no one has converted to ductless heat pumps yet, and he pointed out that it is important for EWEB to find ways to more aggressively support low-income customers with its energy conservation programs. He reiterated his request for a staff backgrounder to get more information on what EWEB is doing in this respect, and to identify opportunities for improvement. He added that he would like to discuss this at the January Board meeting in order to make a decision about asking to place this issue on the agenda for the joint EWEB/City Council meeting to see if there are ways to partner to encourage greater adoption of energy conservation programs for low-income residents.

Commissioner Helgeson stated that he is pleased that the Board is going to meet with the City Council again, as he believes those meetings are important, largely for the purpose of maintaining and improving relationships with elected officials. Echoing Commissioner Mital's comments, Commissioner Helgeson said that it would be good for the Board to have a conversation between themselves and with staff about the joint meeting to set the agenda and to determine whether or not the Board anticipates if it will be similar to past meetings that don't produce follow-up or initiative, but are good for relations; or if the Board wants a different type of meeting.

Regarding Commissioner Mital's comments about the joint EWEB/City Council meeting, Vice President Brown stated that he is very much in support of the joint meeting, and asked that the staff backgrounder include what has been done in the past and the lessons learned, etc., as he wants to do it right.

Vice President Brown then noted for the audience that an April 12, 2012 memo from staff had explained that approximately half of EWEB's bill consists of City of Eugene charges that appear on EWEB's bill but are not EWEB charges. He reiterated his earlier request for an update on the above memo, regarding the City's stormwater and wastewater rate projections, as last year they had talked about an increase of 5.75% thru 2018, wastewater fees increasing to 4-6%, and some other items, and that those rates were projected to increase even more than EWEB's electric rates were.

He then clarified that on Thursday, December 5, he will be speaking to the Springfield City Club regarding river clean-up activities, and that his presentation has nothing to do with EWEB even though the Springfield City Club has announced him as an EWEB Commissioner.

President Simpson stated that he had attended the Northwest Public Power Association annual meeting with General Manager Gray and had heard several presentations regarding the changing landscape of the electric industry and comments relating to the economics of that.

He added that he is in favor of Commissioner Mital's request for a staff backgrounder and a discussion at the January Board meeting regarding energy conservation incentives and what programs EWEB has been involved with, and that it would be nice to see that contrasted with how the Board feels the landscape would be if more stringent code measures would be put in place.

General Manager Gray clarified that he had received five head nods regarding the above updates, and that for Vice President Brown's request for an update on proposed rate increases for the City's sewer and stormwater charges, a starboard report would be done if the memo still exists and, if not, the City will need to provide an estimate to staff.

General Manager Gray noted that the staff backgrounder regarding low-income energy conservation programs should provide a historical context of the program, what low-income programs were recently added, and specifically what EWEB can offer for incentives vs. what the City Council and EWEB would collaborate on, i.e., EWEB can't control code changes. He noted that former Commissioner Bob Cassidy had brought up the possibility of a mandatory audit, and that the Board can discuss that as well.

President Simpson stated that he would want to see some comments about what it would cost EWEB to do with a Code-based method.

General Manager Gray replied that staff will attempt that, and try to test some that are audit only and who will pay, and what will happen if mandatory improvements are put in place and whether or not EWEB would support those.

Commissioner Helgeson stated that he would appreciate the historical information because there may be a problem with some of it, and to confirm a fairly robust low-income program as well, in order to confirm the magnitude of the problem.

Commissioner Mital stated that he would like to know how much energy conservation funding has been made available to the residential sector over multi-number of years and what percentage was used by the low-income sector, whether or not they are taking advantage of it, if that money is subsidizing middle- and high-income customers' ability to take advantage of those programs, and whether or not there is a way to evaluate the amount of energy conservation opportunities remaining for the low-income or renter segments of customers. He added that they have shown that the City will continue down its sustainability path and that EWEB staff could share with them what they think is out there.

Commissioner Manning stated that he has been reflecting on what was discussed almost a year ago, that EWEB customers don't understand the various charges on their bills, and for that reason, the City charges are very important to identify and break out, so that EWEB doesn't continue to get the blame for all the fee increases, as it makes it look like EWEB is gouging its customers when that is not the case.

PUBLIC INPUT

Carole Grappo voiced the following comments and concerns:

- Questions about rate changes and why EWEB built the Roosevelt Operations Center (ROC), which was unnecessary, as they have the headquarters building
- Concerns about management and long-term choices that have been made, especially since she saw a chart that shows that EWEB's rates are higher than utilities in Seattle, Vancouver, Bellevue, Salem and Tacoma, and are twice as much as SUB
- Questions about the kWhr rate and EWEB's lawsuit against its wind power provider.
- Concerned that EWEB rate increases impact all customers, especially the low-income, and whether there is enough assistance provided to low-income customers
- There should be no shutoffs the morning after a bill isn't paid
- Sell the headquarters building or the ROC and then EWEB wouldn't have to hire more employees
- Customers are being punished because of the loss of Hynix as a major commercial customer
- Customers pay more than three times what Medford, Oregon customers pay for water

Sandy Wenzel lives in the West 5th Avenue area. She sent an e-mail to the Board about a broken water main she had in October, noting that her water was turned off for an entire weekend in order to have a contractor snake the line and install new pipe. After talking to Customer Service, EWEB reduced her water bill from \$160 to \$90, which represents over four times her monthly water bill of \$20. She said she is here tonight to appeal that decision and hopes that something closer to her standard water rate will be given to her, especially since she

took every measure possible once she realized the significance of the problem. She wondered how she will be notified regarding her appeal.

President Simpson asked Ms. Wenzel to go to the back of the room and speak to EWEB customer service staff, who will take her name and contact info and make sure the appeals process addresses her issue.

Nancy Olson asked the Board seven questions:

- Did you believe staff's 131-page memo to the Board regarding 2014 budget and rate approval would serve as an opportunity for your customers to perform their own due diligence regarding budget decisions for 2014 water and electric rate increases?
- Was it because you didn't believe it was possible for customers to use EWEB's memorandum to perform due diligence, and allowed only 20 minutes for public comment?
- Are you aware that the electricity you sell powers retail electric heat systems that are ineffective and that non-electric power sources which continue to be developed and connected to efficient ones might draw your customers to their own power sources and, as a result, EWEB could lose even more opportunities for revenue before our country gets out of this extended economic downturn?
- Is it true that even though EWEB rhetorical marketing devices include "Rely On Us," EWEB will soon, as the General Manager stated in his October 27 Register-Guard column, be relying on us customers for "self-service on EWEB's website and elsewhere" if EWEB is to offer affordable electricity, i.e., should we not rely on you?
- What does customer/owner mean?
- Who outside of EWEB is charged with oversight of EWEB operations?
- Who outside of EWEB audits your books?

B.K. Hoffman stated that long-term solutions trump the smart metering agenda, as smart metering is an agenda, not a short- or long-term solution. He noted that rates have increased in areas of the United States where smart meters are installed. He urged the Board to strongly consider voting against smart metering.

Steve Robinson lives in the North Gilham area. He called the Board's attention to a problem with EWEB billing policies and requested a refund for an overcharge due to his water meter malfunctioning and recording an extra 100,000 gallons of water which he did not use, which resulted in an extra \$370 on his bill. He detailed in chronological order the troubles with his water meter dating back to October 2011, and also detailed various examples of his normal water usage and various efficiency options such as low-flow toilets, and his theory about what caused the overcharge. He then stated that the EWEB Appeals Committee had told him they were not able to authorize a credit due to "unexplained water loss" and suggested that he have his irrigation system tested. He voiced frustration that EWEB staff seem unable to logically look at his situation or even consider a system error, and that this policy seems to put all the risk on customers in the case of an error like this.

He requested that he be issued a \$370 refund for the overcharge and that EWEB review their overcharge credit policy, especially regarding what would happen if a low-income customer experienced such an overcharge, which would result in them not having money to buy food or pay rent. He added that EWEB needs an overcharge credit policy that accommodates the customer in the case of what he believes was a metering error in his situation.

Moshe Zimmerman is a former science and ecologic advisor to an Air Force safety center and 2,000 churches; a research ecologist; and the founder of Citizens for Public Accountability. He stated that EWEB is a special entity and that global warming and climate change are coming. While he doesn't know what the correct rate increase should be, he does know that EWEB is going to have to be profoundly active in using whatever funds that are generated to deal with a green sustainable future and deep cycle megatrends. He believes that the Columbia electricity generating station should be shut down, as it is cheaper now to disinvest from BPA power, and that EWEB should listen to what Fukushima is doing to us, as we are not prepared to deal with a 9.5 earthquake. He hopes that EWEB will conduct a hearing about the Spanish electric technology that uses molten salt, which is not toxic, to meld that with excess power from wind or solar, and then it reconsolidates and generates heat. He asked EWEB to be proactive in all ways in looking at what the snowpack will do as climate change kicks in, and to focus proactively on future scenarios, do more planning, and invite the community to participate.

Sean and Sarah Curran-Hardy (siblings) hope that EWEB can establish new payment arrangements for low-income customers, as they just moved to Eugene and are struggling with paying bills. They noted that their former utility in California allowed them to make payment arrangements so their power would not be cut off, and that they have been close to that many times with EWEB. Mr. Curran-Hardy noted that EWEB bills are an extreme issue for them and that they are always past due and right up to the point of service disconnection, that communication from customer service representatives is minimal to short, and that the representatives are sometimes rude to them when they call. He stated that he has issues with EWEB around honesty and trust, and his sister stated that they can only get low-income assistance once a year and sometimes twice, and she wonders what they are going to do for the other 11 months. They asked for more flexibility to pay as much as they can, as they pay at least 75% of their bill but then get a door hanger threatening disconnection because of the 25% that remains to be paid.

Loretta Huston is a former 11-year EWEB employee (meter reader) who feels that she was let go because she believes in transparency and in speaking out. She stated that she has seen dirty, cruddy water meters that have been in the ground for 45-50 years and that she has complained about them for years. She wonders who will pay for the \$26 million for smart metering and she doesn't see the opt-in as being free or how it will save money. She also wonders about hybrid cars that will be plugged into the grid 24/7, but she is proud that EWEB has led the way in energy conservation, as it is the only true way to conserve energy.

Janet O'Bryant is displeased with what she has read about EWEB projects and was not impressed with her ward's former EWEB commissioner. She noted that EWEB painted one side of a building red to reflect the "red badge of courage" but that there is nothing courageous about

that building when so many people are out of work, and she noted that the EWEB headquarters building was supposed to have a 50-year life. She called upon Commissioner Manning to truly carry that red badge of courage and listen to customers who speak about issues that EWEB seems to often ignore. She also noted that EWEB rarely presents their budget to the public so that the public is fully aware, and she is concerned about the “sweetheart” and “secret handshake” deal with Seneca, and is angry about EWEB’s lack of transparency. She called upon the Board to work to endeavor to show true courage in representing its customers.

President Simpson appreciated the public testimony. He stated that he has served on the Board for seven years and has seen his share of misread meters, appeals, and rate increases, and was on the Board in 2008 when the economy went south. He assured the audience that EWEB is very dedicated to the appropriate technology and response to climate change and global issues. He said he is currently unemployed, so he hears customers that a \$4 per month electric rate increase means something, and that rate increases are not taken lightly by the Board. He reminded the audience that EWEB doesn’t raise rates flippantly, but in order to maintain rate sufficiency and maintain sufficient metrics so that bond rating agencies won’t berate EWEB to junk bonds, which cost significantly more than A or AA bonds. He noted that EWEB’s metrics and credit rating were recently downgraded to A+, and that will have an impact on EWEB’s ability to borrow money.

Regarding the ROC, he said that building it was a wise decision, in his opinion, and that the community supported it and it was necessary in order to maintain EWEB’s electric and water systems going forward for the next 100-150 years. He added that EWEB’s waterfront property was not appropriate for that portion of EWEB’s business, and that having industrial operations located on the waterfront property is not the way the community wants EWEB to operate, so the ROC serves not only the needs of the organization but its customers as well.

Regarding those who provided testimony regarding potential disputes of their bill or low-income payment arrangements, he asked them to speak to EWEB staff in the back of the room and they will follow up on their concerns.

He thanked Ms. Olson for her seven questions, and stated that the Board is aware of public sentiment that the budget is a foregone conclusion and that public testimony in December is just an act. He reminded the audience that the Board has remodeled the public input process to encourage testimony all year long, beginning with the strategic planning session in January and February, and that this is the time when the public needs to engage to help direct EWEB on a major level instead of waiting until the end of the rate or budget process when the Board is discussing a 4% rate increase that supports the strategic decisions that were made throughout the year. He reiterated that the public should participate early and provide testimony all year long.

Vice President Brown noted that splitting EWEB’s operations between two locations was a decision that was made by a previous Board, and that a decision was also made to either build at the present location or build elsewhere. He added that a portion of the EWEB headquarters building is currently being rented for \$40,000 a month and that the remainder of it will eventually be sold.

He told Ms. Wenzel that he empathizes with her water leak because he had two separate water leaks over the last several years and he didn't get an overage credit, either, and he thanked the others for their testimony.

Regarding water sales to Veneta, he told Ms. O'Bryant that EWEB has excess water and makes \$90,000 on those water sales, and that it costs them nothing. He noted that Medford water rates are lower than EWEB's because they are a regional water provider and sell to other communities. He added that staff can explain to her why EWEB's rates are higher than SUB's.

Regarding the testimony stating that EWEB provided only 20 minutes for public input at a previous meeting, Commissioner Helgeson believes that that was in reference to a rate hearing. He explained that the amount of agenda time for public input is an estimate, and that he doesn't recall the Board not accommodating anyone who came to speak.

He said that he also struggles with the overcharge credit process for water bills, and that he knows the difficulties. He asked for more information regarding what the practices of other utilities are regarding water overcharge credits and whether or not there are policies elsewhere that might help EWEB find a better balance.

He told the audience that he hears their concerns about rate increases, and that he wants to be clear that EWEB's rates are higher than some of their peers, and he wants EWEB to be clear about reasons for that. He reiterated that the rate increase has nothing to do with the ROC because the ROC was necessary and required to replace EWEB's worn out facilities that were located on the riverfront property. He explained that there was a past small rate action to cover debt service on that facility but it was in the single digit range, and it is no longer a factor in today's rates. He briefly noted that the main reason for the rate increase is generally because of EWEB's investment in renewables, and that he believes it's the right investment to make in the long run, as it puts EWEB in surplus not only for hydroelectric power, but as they look to the future, and that market rates for power are very low because of the recession and low natural gas prices.

In regard to the siblings' testimony regarding their struggle with paying their EWEB bill, he hoped that they will speak to EWEB staff tonight and be sure they have availed themselves to all programs that exist, and that he believes that EWEB's payment policies are reasonably flexible, and he wants to make sure there is no misunderstanding.

Commissioner Mital noted that the consistent theme in public input at almost every Board meeting is concern about rate increases. He noted that after one year on the Board, observing Board meetings for the last two years, and reading the paper for the last 10 years, his sense is that 6-8 years ago, cost was not a primary concern, because EWEB was responding to community desire to see investments made in other more expensive power that would be greener and consistent with community values. Now the community is very sincere about managing costs, and that is actually how staff and Board are responding, with a 2014 budget that is several million dollars less than it was a year ago, mostly as a result of significant hits EWEB has self-inflicted, including decisions to cut staff by 12-14% over the last couple years, which is

obviously not an easy task. He added that he realizes that low-income customers can't afford their bills and that he doesn't think EWEB is doing enough to help them, but he believes that EWEB is doing a good job based on the input the Board gets from the community, which is to provide for low-income customers and be sure to manage costs.

Commissioner Manning stated that "perception is the killer of good dreams and bad ideas." He briefly reviewed his background in the Army, the Pearl Buck Center board, the United Way campaign, as a member of the Eugene Police Commission, and as a mediator for Circuit Court. He said he feels fortunate to be elected to the Board and that he understands that during good times there is a small segment of population that does extremely well and a small section that sustains, and that the bottom portion is the foundation of America, who struggles. He said he was a member of that bottom portion as a child, was homeless, and fortunately met people who gave him a hand up and out.

He continued by saying that he has served on all his former and current Boards without pay because of his commitment to helping people, and that he lives off retirement, and is not "corporate-owned." He reminded the audience that the Board doesn't make decisions without public input and that they are here to oversee the public's interest and hear what they want. He closed by saying that he believes that the public doesn't know the character and makeup of the Board and that they are easy targets and get "beat up" at every meeting, and that it is hurtful and he doesn't believe the Board deserves that.

Regarding Ms. Olson's question about who oversees EWEB, President Simpson replied that the ultimate answer is that it is the people who are registered to vote in the city of Eugene, and that they have the vested authority to make those decisions on EWEB's Board. The Board is authorized by City Charter to make those decisions to lead the organization and they take community needs and desires into consideration and make the wisest decisions possible. He urged anyone in the audience to run for a four-year term on the EWEB Board, as it is a wonderful experience, and that he is proud to be on the Board even though there is no money in it.

VENETA PIPELINE PROJECT APPRECIATION

President Simpson presented a certificate of appreciation to Brad Taylor, Water Operations Manager, and commended the entire Water Operations Department. He recalled that EWEB applied for a third water right on the McKenzie River decades ago to not only meet the needs of future generations of Eugene residents but to enable EWEB to become a regional water provider. President Simpson and the Board recognized Mr. Taylor's team's efforts in seizing the opportunity, managing risks, and getting it done, and added that these contributions have helped form a new partnership with the City of Veneta, and have also paved the way for a regional approach to meeting community drinking water needs.

Mr. Taylor thanked the Board and stated that the ultimate success of any project comes down to whether or not it is a success, and that he has confidence that the partnership with

Veneta will endure, based on trust, partnership, commitment, listening to the community, and bringing a community solution to project.

CONSENT CALENDAR

MINUTES

- 1a. October 1, 2013 Regular Session
- b. November 5, 2013 Regular Session

RESOLUTIONS

2. Resolution No. 1325 - Declaring Surplus for Certain Real Property no longer needed for Utility Purposes. Contact Person is Steve Newcomb.
3. Resolution No. 1326 - EWEB's 2014 State Legislative Agenda. Contact Person is Lance Robertson.

CONTRACTS

4. Cascade Health Solutions - for EWEB's recruitment, hiring, safety, health and wellness programs. \$375,000 (for five years), Human Resources. Contact Person is Lena Kostopulos.
5. CH2M Hill - for engineering and inspection services for the Willamette 1325 Reservoir Replacement Project. \$20,000 (total \$169,994), Engineering. Contact Person is Mel Damewood.

BUDGET AMENDMENTS

6. BAM No. 17 - Oakway Substation Circuit Switcher/Breaker Upgrade. Contact Person is Mel Damewood.

OTHER

7. Economic Development Loan Program - Water Reserve Transfer. Contact Person is Mark Freeman.

Regarding item #5, Commissioner Helgeson voiced concern about the sizable investment for customers who live at upper elevations that isn't recovered from customers who live at lower elevations. General Manager Gray replied that he would provide follow-up via a starboard report and also a summary regarding how system development charges (SDCs) and rate structures vary by elevation.

It was then moved by Vice President Brown, seconded by Commissioner Manning, to approve the consent calendar. The motion passed unanimously (5-0).

2014 PROPOSED BUDGET AND RATES

With the aid of overheads, Cathy Bloom, Finance Manager; Sue Fahey, Fiscal Services Supervisor; Harvey Hall, Senior Financial Analyst, Edward Yan, Senior Financial Analyst; and Deborah Hart, Senior Financial Analyst, presented the 2014 budget and rates proposal.

Management recommended a 4% electric rate increase and a 3% water rate increase.

President Simpson voiced full support for electric rate proposal #1 (a 4% electric rate increase). He advocated for a 6% water rate increase to bring the organization in line with water source planning efforts, which would be a minimal monthly cost to customers in order to help EWEB get into an equity position to provide reliable water service in the event of a catastrophe that shuts down its single water source. He noted that there is no other community that depends on a single water source and that EWEB's customers agree that this is an important issue.

Commissioner Helgeson voiced concern regarding more coherent communication about this set of rate increases to the public, and noted that water rates are being adjusted in advance so that there will not be double-digit rate increases occurring back to back, and that second source water is a high priority for the Board and the utility. Regarding the electric rate increase, he added that he supports the Board's objective of maintaining credit worthiness.

Commissioner Mital recalled that at the November meeting, the Board was interested in a 6% water rate increase with an additional 3% put into a fund for second source water, and that President Simpson and Vice President Brown had just reiterated that desire. He stated that if that 3% second source funding could be specifically identified on EWEB bills, he would endorse a 6% water rate increase.

Mark Freeman, Energy Management Services and Customer Service Manager, stated that an explanation on bills would be difficult to accomplish by February 2014 because rate codes would have to be separated and tested.

A brief discussion ensued regarding a 6% vs. 3% water rate increase and how that could be accomplished. Vice President Brown asked if the 3% funding could instead be explained in a bill insert. Mr. Freeman agreed to obtain a quote for the bill insert.

Commissioner Mital voiced concern about a disconnect between what EWEB does and what customers seem to experience and that he wants to close that gap, and that it seems like this disconnect recurs on a regular basis.

After further discussion and clarifying questions, Commissioner Mital voiced support for the electric and water rate recommendations, and also echoed Vice President Brown's desire to ramp up the second source project if it can be effectively communicated to customers (which will be the subject of discussion at a later meeting).

Commissioner Manning voiced the desire for transparency in decision-making and for Public Affairs to get the message out to news media in a clear and concise way. He agreed that second source should be a high priority but that the intent needs to be specifically explained, and that those explanations need to be done with stating the cost in dollars and cents and in layman's terms.

PUBLIC HEARING

Moshe Zimmerman appreciated the purity and sweetness of EWEB's water, and agreed that it is crucial to be proactive in funding a second source, but urged the Board not to combine a second source with the McKenzie River, as it will have a different pH and be acidic.

Loretta Huston stated that customers are living paycheck to paycheck and that costs are going up for everything—education, gas, food and housing. She wondered how the recent bonuses for EWEB employees were funded and if there is a way for those in the community who have good salaries and great benefits to take a decrease in their salary.

Carol Grappo stated that it doesn't seem complicated to print EWEB's bill in a smaller font for the billing portion and a larger font for the explanation portion, and that customers shouldn't have to pay for that explanation. She hopes that the Register-Guard and the EWEB website will explain what the debt service cost is for each customer and how much of a customer's bill goes toward that, and who made the decision to get EWEB into that debt. She also voiced concern about the corporate connection of Moody's debt ratings process, and said that she wants EWEB to get back to caring about people and about the public interest.

Regarding transparency, Commissioner Manning noted that the Board cannot meet with more than two Commissioners at a time behind closed doors and that the Board is concerned about rate increases, but that there are outside sources that drive those. He reminded the audience that EWEB's bill includes City of Eugene charges for stormwater and wastewater and that the EWEB portion of their bill is much lower than they think.

Regarding debt service coverage, Commissioner Mital stated that if Moody's lowers EWEB's bond rating, costs go up, and money will need to be borrowed for operations and maintenance. He then gave a more detailed explanation of debt service coverage.

2014 PROPOSED BUDGET AND RATES: RESOLUTION #1327-1329

The Board voted for each resolution separately.

It was moved by Commissioner Helgeson, seconded by Commissioner Manning, to approve Resolution #1327 for the 2014 budget. The motion passed unanimously (5-0).

It was moved by Commissioner Mital, seconded by Commissioner Helgeson, to approve Resolution #1328 for electric rate option #1, a 4% overall increase. The motion passed unanimously (5-0).

It was moved by President Simpson, seconded by Vice President Brown, to amend Resolution #1329 for a 6% overall average rate increase in lieu of a 3% average rate increase, with 3% set aside for future second source water supply costs. The motion passed 4-1 (Helgeson voted no).

Commissioner Mital reminded the Board that he is supportive of that amendment only if a bill insert can be done. General Manager Gray replied that the bill insert and reserve account can be accomplished by February 2014 but that a line item break-out cannot be done by then.

Commissioner Manning reiterated his desire that the explanation in the bill insert include what the dollars and cents impact will be.

President Simpson called for a 10-minute recess.

Commissioner Mital asked for clarification on why Commissioner Helgeson voted no on Resolution #1329.

Commissioner Helgeson clarified that he supports second source water but that he feels that EWEB is not yet in a position to coherently explain to customers where that project is headed and to address the argument that may be made against that proposal, and that he feels EWEB will be in a better position to do that after the first of the year.

A discussion was re-opened regarding second source and staff's recommendation for a 6% water rate increase. Commissioner Helgeson noted that second source is a top priority for him and that he wants to be clear that he wasn't voting against staff's recommendation, but rather that the voting process didn't give him disclosure regarding what his position is.

Commissioner Manning noted that second source was a priority topic at the Board's retreat and that it is not a new staff recommendation, but that it is possible that the language for the recommendation could have been packaged better.

2013 QUARTER 3 FINANCIAL REVIEW

Using overheads, Ms. Bloom and Susan Eicher, General Accounting and Treasury Supervisor, presented the 2013 Quarter 3 Financial Review.

- Operating revenue was up significantly from last year as a result of budget savings
- Wholesale revenue was better than expected
- Retail volume was the same but retail value was up from last year
- Water income and revenue were up significantly

A brief discussion ensued regarding capital project and (Public Employees Retirement System (PERS) liability expenses and deposits made to Other Post Employment Benefits (OPEB).

General Manager Gray noted that he received a very high-level legal opinion regarding the OPEB deposits.

Commissioner Helgeson asked Ms. Eicher for an explanation at a later time regarding the change in the statement of revenues for contribution in lieu of tax (CILT) payments.

General Manager Gray noted that the change was made for purposes of accounting but not for bill presentment, and that it will be broken out eventually as a separate line item on bills.

2013 AUDIT PLANNING

Using overheads, Ms. Bloom, Ms. Eicher, and Julie Desimone and Keith Simovic of Moss Adams LLP reviewed the process for EWEB's 2013 audit, and addressed comments and questions from the Board.

Vice President Brown asked how PERS liability affects EWEB's debt service coverage ratio. Ms. Desimone replied that the actuary will determine the future obligation as of December 31, 2014 and 2015, and then will determine net obligation, and that, even though it is a large obligation, it will reduce depending on how much cash has been paid in. Ms. Bloom further explained the process.

Commissioner Mital asked Ms. Desimone what the audit's main areas of emphasis will be, and noted that the Board has discussed making power cost and trading policies less conservative. He wondered if staff could ask the auditors to do that type of thing.

Ms. Desimone replied that they could not, and that the audit only looks at policies and procedures and financial polios to be sure they are in line with municipal and State standards and generally accepted accounting principles. General Manager Gray then gave a history of hedging policies up to the present time.

Regarding financial controls, President Simpson asked if the audit could suggest that policies be better written so as to better understand what the controls are and how they will be implemented. Ms. Desimone replied that the letters regarding those controls will be brought directly to the Board.

CORRESPONDENCE/BOARD AGENDAS

General Manager Gray noted that there will be a second Board meeting in both January and February dedicated solely to strategic planning for critical issues.

Commissioner Mital noted that new officers will be elected in January and that President Simpson won't be running for that position again, so there will be at least one position open. He wondered how to air one's interest for an open position.

Vice President Brown explained the process, and noted that he hasn't decided whether or not he is going to run again after his final year.

President Simpson proposed that the president and vice president be elected in a stand-alone election and not to combine them as a slate, and added that nominations can be taken from the floor for either oneself or a colleague.

Taryn Johnson, Assistant to the Board and General Manager, stated that the election can't be done via secret vote but a straw vote can be taken anonymously, and a motion still has to be made prior to the vote.

General Manager Gray suggested that the president be elected first and vice president second. President Simpson added that he would hand over the gavel immediately and the newly elected president would preside over the meeting.

Further discussion ensued regarding the nomination and voting process.

Vice President Brown stated that he has seen nothing on any upcoming agenda regarding disposition of the riverfront property, and asked if the Board can start thinking about that.

General Manager Gray replied that the balance of the property surplus will be declared and then proposals will be taken from people who have interest in the property that has not been declared surplus. He added that he believes that the Request for Proposal (RFP) has been extended to January or February.

Vice President Brown then voiced desire for a process that will stop the misinformation that is happening so it doesn't fester in the community, as there were 10 or so community members present at tonight's meeting who were misinformed about various EWEB issues.

General Manager Gray replied that Public Affairs staff responds to all e-mails from the public, and that a protocol could be adopted on how to keep people informed, i.e., the headquarters building vs. ROC confusion, but he added that regarding some topics, all the information in the world may not be enough.

Commissioner Helgeson wished everyone Happy Holidays, as this is the final meeting for 2013.

President Simpson adjourned the Regular Session at 9:42 p.m.

Assistant Secretary

President



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Cathy Bloom, Finance Manager; Gail Murray, Purchasing/Risk Manager
DATE: December 18, 2013
SUBJECT: 2014 Board Appointed Consultants and Retained Professionals Ratification
OBJECTIVE: Board Action – Ratification of Board Appointed Consultants and Retained Professionals

Issue

At the first Board meeting of the year, the Board appoints and ratifies certain professional consultants which are retained by the Board.

Background

EWEB contracts with a group of consultants who are defined as being appointed or retained by the Board. The selection of these consultants is based on their technical knowledge, areas of expertise, and most importantly, their historical knowledge and perspective of EWEB and its work. The key attribute of each of these consultants is their independent advisory responsibility to the Board; a responsibility to provide professional direction and assessments to the Board, as determined by the consultant, without regard to staff's position or interpretation. These are long-term relationships that remain in effect through a Board adopted exemption from the requirements of Oregon Public Contracting law [EWEB Rule 6-0130: Board Appointed Consultants and Retained Professionals].

Although these contracts are exempt from public contracting law and do not require a competitive process, in late 2012, the General Manager directed staff to competitively solicit these contracts to be sure that EWEB is receiving the most competitive and best value in these areas. In late 2012 and throughout 2013, staff issued solicitations and awarded contracts for:

- General Counsel – Luvaas Cobb
- Financial Advisor – Piper Jaffray (Seattle Northwest Securities Corp.)
- Independent Actuary – Kenney Consulting
- Trustee Services – US Bank Global Corporate Trust Services
- Real Estate Consultant – ECO Northwest
- Real Estate Broker Services – Evans, Elder & Brown; Windemere Real Estate

The following contracts were scheduled to be competitively solicited in late 2013, however due to other department's constraints they have been postponed until 2014 or later. These are:

- **Human Resources (HR) Counsel – Harrang, Long, Gary and Rudnick.** HR was in the process of litigation and did not feel it was a good time to solicit. This should be done in 2014.
- **Special Counsel and Power Risk Counsel-Cable Huston Benedict Haagensen & Lloyd.** Power Planning did not have time to devote to an RFP until late 2013. This RFP is currently in process and should be awarded by mid 2014.
- **Independent Auditor and Certified Public Accountant –** Due to issues currently being reviewed with the Auditors as reflected in the management letter, the Accounting department thought it might be unwise to change auditing firms for the next few years. The current contract with Moss Adams will expire in 2016, and will be re-solicited then.

Each of these consultants’ work continually supports and helps direct EWEB’s business and policy decisions. All retained attorneys have an obligation to protect EWEB (and its Governing Body) and to independently advise the Board, if required, on legal matters. EWEB Bond Resolutions require certain actions by some of these independent consultants when issuing new bonds. EWEB’s bond counsel, financial advisor, and independent auditor are appointed to act on behalf of the Governing Body to independently assess the utility’s performance in these areas.

A survey is distributed annually to staff who utilize these contracts to assess the performance of the consultants. Staff has no objection to ratification of any of these consultants.

A very brief overview of each consultant is provided herein:

RETAINED PROFESSIONALS – ATTORNEYS
Contract Information

1. Luvaas, Cobb, Law – Eric DeFreest: General Counsel

Tenure: Contract solicited and awarded in 2013

Contract Information: In 2012, a solicitation was issued and a new contract was established with Luvaas, Cobb, Law for General Counsel Services in Jan, 2013. This contract is for five years.

Annual Expenditures (to date):

2013	2012	2011
\$251,114	\$106,147	\$177,665

Luvass Cobb, through Eric DeFreest maintains an historical perspective and a broad range of expertise in municipal utility legal matters which continues to be very valuable to the utility. Eric DeFreest and other attorneys from the firm are quick to respond to staff inquiries. They continue to maintain an excellent relationship with staff and consistently provide sound legal advice.

Recommendation: Ratify as General Counsel for 2014

2. Cable Huston Benedict Haagensen & Lloyd: Special Counsel

Tenure: Retained in the early 1980s

Contract Information: This contract will be competitively solicited in 2014.

Annual Expenditures (to date):

2013	2012	2011	2010	2009
\$356,964	\$401,860	\$445,146	\$432,726	\$557,819

Cable Huston Benedict Haagensen & Lloyd is recognized as a preeminent law firm in the state dealing with energy issues. Their work on many utility projects is considered to be invaluable as they have considerable technical expertise. Staff greatly values their work on environmental, generation and power contract issues.

Recommendation: Ratify as Special Counsel for 2014

3. Murphy & Buchal LLP: Special Counsel (BPA Rate Review)

Tenure: Retained in 2010

Contract Information: The contract is in its third year and has two years remaining.

Annual Expenditures (to date):

2013	2012	2011	2010
\$31,018	\$54,880	\$160,230	\$32,019

Murphy & Buchal have represented major participants in every general power and every contested transmission rate case of BPA since 1984. Murphy & Buchal will assist in analyzing legal positions and preparing testimony in the BPA rate case.

Recommendation: Ratify as Special Counsel for 2014

4. Harrang, Long, Gary and Rudnick: Human Resources Counsel

Tenure: Retained in 1992

Contract Information: This contract will be competitively solicited in 2014.

Annual Expenditures (to date):

2013	2012	2011	2010	2009
\$167,246	\$104,625	\$ 89,584	\$102,798	\$71,121

Harrang, Long, Gary and Rudnick has a long history of providing legal services related to HR issues to EWEB. This firm is very knowledgeable about EWEB's HR policies and related issues. They are generally very effective in their legal support for HR.

Recommendation: Ratify as Human Resources Counsel for 2014

5. Mersereau & Shannon: Bond Counsel

Tenure: Retained in 2009

Contract Information: The contract is in its fourth year and has one year remaining.

Annual Expenditures (to date):

2013	2012	2011	2010	2009
\$0	\$85,000	\$230,000	\$75,000	\$55,000

In late 2009 staff solicited these services and selected Mersereau and Shannon to be EWEB's Bond Counsel. Mersereau and Shannon has had a long history with EWEB, is extremely knowledgeable, experienced, and responsive to EWEB requests in a timely manner.

Recommendation: Ratify as Bond Counsel for 2014

BOARD APPOINTED CONSULTANTS:

1. Kenney Consulting: Independent Actuaries

Tenure: Retained over 20 years ago

Contract Information: This contract was competitively solicited in 2013. The contract is in its first year and has four years remaining.

Annual Expenditures (to date):

2013	2012	2011	2010	2009
\$0	\$33,500	\$20,000	\$10,000	\$19,650

The Independent Actuaries’ scope of work includes medical benefits, supplemental retirement plan evaluations, and PERS issues – all important and very visible issues for the utility. Staff has rated Kenney Consulting very high and continues to have confidence in their ability to meet EWEB needs. Kenney Consulting is recognized as having a broad range of available expertise and knowledge of pension reporting requirements.

Recommendation: Ratify as Independent Actuaries for 2014

2. Moss Adams: Independent Auditor and Certified Public Accountant

Tenure: Since 2005

Contract Information: In 2011 a new contract was negotiated for a potential five year term. This contract will be re-solicited in 2016.

Annual Expenditures (to date):

2013	2012	2011	2010	2009
\$105,250	\$114,521	\$128,727	\$93,670	\$116,682

Staff is very satisfied and impressed with Moss Adams’ performance as Independent Auditor and with their vast knowledge of utility auditing issues. This is Moss Adams’ seventh audit cycle as EWEB’s Independent Auditor and Certified Public Accountant.

Recommendation: Ratify as Independent Auditor and Certified Public Accountant for 2014

3. Piper Jaffray (Seattle Northwest Securities Corp): Financial Advisor

Tenure: Retained in 2013

Contract Information: This contract was solicited in late 2012 and awarded in January 2013 for a potential five year term.

Annual Expenditures (to date):

2013
\$5,532

The quality of the performance of the financial advisor consultant is often based on their experience with electric and water utilities, rating agency presentations, access to trading floor and current pricing experience. Seattle Northwest Securities Corp has demonstrated that they possess these qualifications and experience.

Recommendation: Ratify as Financial Advisor for 2014

Discussion

EWEB's Board, through a Board adopted exemption that exempts Board Appointed Consultants and Retained Professionals from the requirements of Oregon Public Contracting law, has appointed independent consultants and retained professionals as advisors to the utility's Governing Body. These consultants' historical perspective and in-depth knowledge of the utility and its operations makes their expertise and advice extremely valuable and beneficial to EWEB.

Each year staff asks the Board to ratify the consultants to continue their work in the coming year. Staff has confidence in the very high quality of work, demonstrated technical knowledge and expertise, and high satisfaction with the service received.

Recommendation

Management recommends ratification of the Board Appointed Consultants and Retained Professionals for 2014.

Requested Board Action

Management requests ratification of the Board Appointed Consultants and Retained Professionals for 2014 as recommended above.

References

EWEB Contracting Rule 6-0130 Board Appointed Consultants and Retained Professionals

EWEB designates the following classes of contracts as personal services contracts which are not subject to competitive bidding and proposal requirements.

(1) *Board Appointed Consultants, including Attorneys, Auditors, Board appointed Engineering, Architectural, Land Surveying and Related Services subject to Division 4 of these EWEB Rules, and other Consultants who may be appointed through a direct appointment by the Board.*

(2) *Non-Board Appointed Consultants providing Engineering, Architectural, Land Surveying and Related Services, to the extent provided for in Division 4 of these EWEB rules.*

Stat. Auth: ORS 279A.065, 279A.070

Stat. Implemented: ORS 279A.055, 279A.065, 279B.085, 279C.100-.125

Statute Authority:

279A.025(2)(d)(q)(s) and (3)(j); 279A.055(2); 279A.060; 279A.065(5); 279A.070; 279A.075(1); and any and all applicable statutes, whether or not referenced herein, that support EWEB's actions.

EWEB Rule:

2-0150(3)(a), 6-0110, 6-0130, 6-0270, and any and all applicable rules, whether or not referenced herein, that support EWEB's actions.



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

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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.

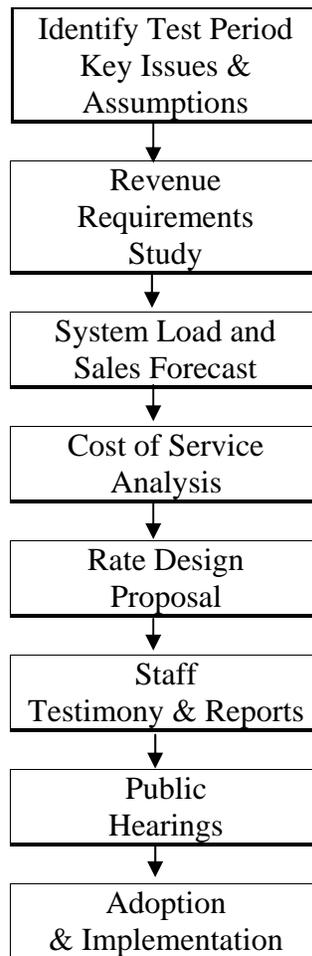
The second standard requires that rates and charges for utility service be fair and non-discriminatory. Rates are considered non-discriminatory when customers receiving like and synchronous service under similar circumstances are treated equally in the development and application of specific rates. This 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.

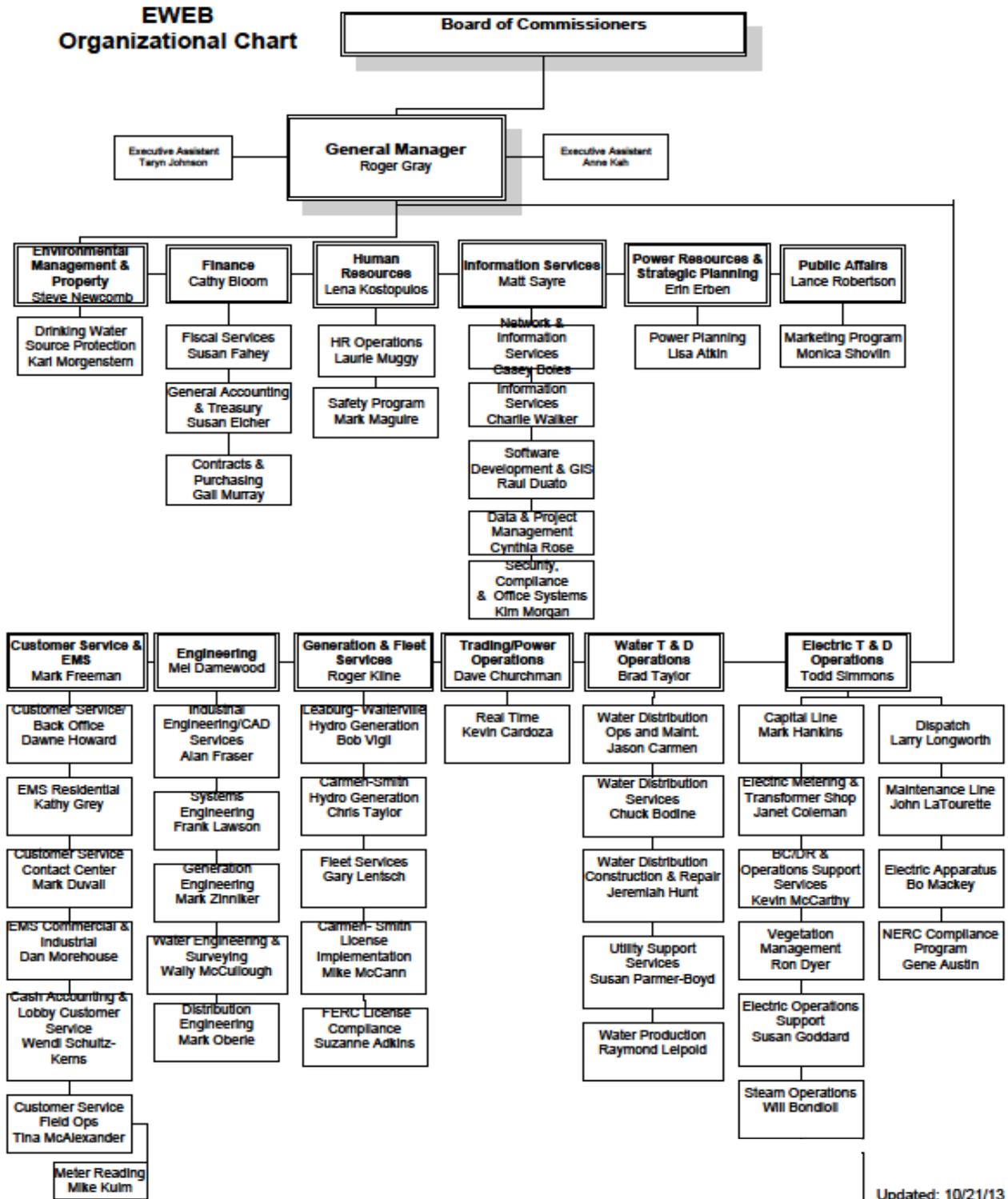
Under the direction of General Manager Roger Gray and the leadership staff, EWEB employed 524 combined electric and water personnel as of third quarter 2013. EWEB's organization chart is shown as Figure 2. The executive and leadership staff, responsible for each of the major operating areas, is as follows:

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

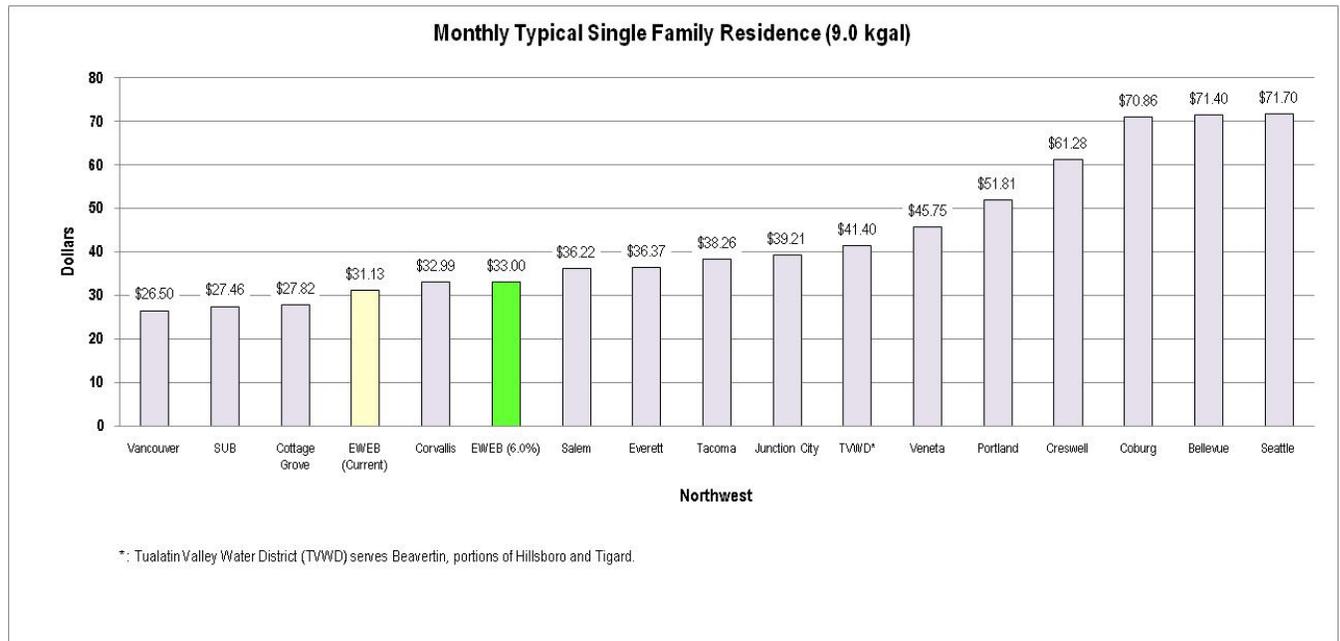
EWEB is the largest publicly owned utility in the state of Oregon. Founded by the citizens of Eugene in 1911, EWEB has remained a successful provider of essential utility services to the local community for over 100 years.

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 Kgals. 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>	<u>100.00%</u>
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.

ATTACHMENT 2

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



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Dave Churchman, Operations and Power Trading Manager,
Patty Boyle, Principal Project Manager
DATE: December 18, 2014
SUBJECT: Smith Creek Hydro Project Surplus Property Declaration
OBJECTIVE: Board Action: Resolution No. 1402

Issue

The 2013 EWEB Operating Plan includes an initiative to explore the possibility of selling one or more of EWEB's power generation assets. Staff in the Power and Strategic Planning Department have determined that due to load loss and the IERP objective to meet future load growth with conservation, the Smith Creek Hydro Project is not required for EWEB to meet its projected short and long term power needs and that EWEB should explore offering this asset to the market. One of the first steps in this process is to declare the real property at the site as surplus to utility needs.

Background

The Smith Creek Hydro Projects is a 38 MW plant located on Smith Creek in the Kaniksu National Forest near the Canadian Border in Idaho. EWEB acquired the license to operate the plant in 2000 and manages it predominately through contracted labor. It is a spring peaking resource that is operational between April and July and then again in the late fall until Smith Creek freezes. The plant itself is in good condition and based on informal discussions with potential buyers there is interest in the market for this plant.

At the most recent Board discussion regarding the IERP in April, staff provided information regarding the long term load forecast and resource sufficiency. EWEB's power portfolio is approximately 35-40aMW surplus on an annual firm basis and up to 80-100aMW long on a firm monthly basis during the spring when Smith Creek generates most of its energy.¹ This makes Smith Creek an ideal target for a sale that would help to reduce EWEBs firm surplus on a long term basis.

Discussion

Over the past several months, EWEB has been preparing a process to offer the plant for sale. Because the utility has not found itself in a position to sell a resource in the past, we are taking steps to ensure that we design and utilize a process that will provide Commissioners confidence in what ultimately will be a Board decision. Although not legally required, staff intends to utilize an RFP

¹ These assumptions are calculated on a "planning basis", ignoring short term hedging activities that have been undertaken to reduce EWEBs short term portfolio risk.

process that is intended to ensure that the process results in a broadly advertised solicitation for bids, transparent information to bidders, and a comprehensive evaluation resulting in a staff recommendation to either sell the project or to retain the project until market conditions are more favorable. Additionally, staff has contracted for consulting services to get a third party perspective on the physical condition of the plant and independent valuation.

In order to initiate the sales process, the real property needs to be declared surplus to utility needs. Subsequent to that declaration, the City of Eugene will be officially notified via the RFP in the unlikely event they have interest in acquiring the property. Attached to these materials is Resolution #1403 that, if approved, will declare 4 parcels surplus to the utilities need. The sale of the Project will include these properties as well as certain structures, equipment and license rights to produce power.

Recommendation & Requested Board Action

Staff recommends approval of Resolution #1402 declaring the property described in attachment A excess to utility needs.

RESOLUTION 1402
January 2014

RESOLUTION DECLARING SURPLUS
FOR CERTAIN REAL PROPERTY NO LONGER NEEDED FOR UTILITY PURPOSES
EUGENE WATER & ELECTRIC BOARD

WHEREAS, EWEB holds title to 4 parcels of land associated with Eugene Water & Electric Board's Smith Creek Hydropower Project in the name of the City of Eugene, Oregon, acting by and through the Eugene Water & Electric Board, Granted by that certain WARRANTY DEED Recorded July 27, 2001 in Book 143 Page 140, as Instrument Number 202794, Boundary County Recorder, Boundary County, Idaho;

WHEREAS, the Project is no longer a benefit to the utility;

WHEREAS, Eugene Code, Section 2.195 provides:

"The Water Board [EWEB] shall have entire control of the water and electric utilities of the city, and all property connected therewith";

WHEREAS, The EWEB Board of Commissioners, desires to dispose of the property and improvements.

NOW, THEREFORE, BE IT RESOLVED by the Eugene Water & Electric Board that:

- (i) The Board does hereby declare surplus the property described as:

See the attached Exhibit A

Adopted at a meeting of the Eugene Water & Electric Board on January 7, 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

202794

EXHIBIT A

Premises

See attached.

202794

PROPERTY DESCRIPTION

Parcel I

Lot One (1) of Smith Falls Subdivision, as recorded in Book 2 of Plats at page 37, being a tract of land in the West Half of the Northeast Quarter (W ½ NE ¼) of Section Twenty-six (26), Township Sixty-five (65) North, Range Two (2) West, B.M., Boundary County, Idaho; more particularly described as follows:

Beginning at a point on the north line of the Southwest Quarter of the Northeast Quarter (SW ¼ NE ¼) of said Section Twenty-six (26), which is North 89°46'32" East, 571.22 feet from the Northwest corner of said Southwest Quarter of the Northeast Quarter (SW ¼ NE ¼); thence North 00°13'23" West, 298.50 feet; thence North 89°46'32" East, 228.94 feet; thence South 09°04'05" East, 302.09 feet; thence South 12°40'05" East, 49.70 feet, to the center of Smith Creek; thence, up the center of Smith Creek, South 28°20'26" West, 127.92 feet; thence, leaving the creek centerline, South 89°46'32" West, 224.95 feet; thence North 00°13'23" West, 160.90 feet, to the TRUE POINT OF BEGINNING.

TOGETHER WITH an easement for an access road and an electrical transmission line through the Northwest Quarter of the Northeast Quarter (NW ¼ NE ¼) of said Section Twenty-six (26); more particularly described as follows:

Beginning at the intersection of the westerly right of way of the County Road known as the West Side Road and the north line of said quarter, which point is South 89°37'58" West, 212.76 feet from the northeast corner of said quarter; thence along said right of way on a curve to the left with a radius of 1005.06 feet and a central angle of 02°40'26" (chord South 09°58'32" East, 46.90 feet), for an arc distance of 46.90 feet; thence South 41°53'08" West, 427.16 feet; thence South 01°26'53" West, 650.56 feet; more or less, to the northeast corner of Lot One (1) of Smith Falls Subdivision (Book 2 of Plats at page 37); thence along the north line of said Lot One (1) South 89°46'32" West, 228.94 feet; thence continuing South 89°46'32" West, 211.70 feet; thence North 438.31 feet; thence North 46°31'32" East, 838.88 feet, more or less, to the north line of the Northwest Quarter of the Northeast Quarter (NW ¼ NE ¼); thence along said north line North 89°37'58" East, 125.39 feet to the westerly right of way of said county road and the TRUE POINT OF BEGINNING.

TOGETHER WITH an easement 100 feet in width for a pipeline through the Southwest Quarter of the Northeast Quarter (SW ¼ NE ¼) of said Section Twenty-six (26); said strip being 50 feet on each side of the following described centerline:

Beginning at a point on the west line of the Southwest Quarter of the Northeast Quarter (SW ¼ NE ¼) of said Section Twenty-six (26), which is South 00°18'07" East, 249.21 feet from the northwest corner of said Southwest Quarter of the Northeast Quarter (SW ¼ NE ¼); thence North 69°29'36" East, 523.99 feet; thence on a curve to the right with a radius of 267.89 feet and a central

angle of 17°23'51", for an arc distance of 81.34 feet, more or less, to the west boundary of Lot One (1) of Smith Falls Subdivision (Book 2 of Plats, page 37), with the sidelines of said easement to be extended or shortened to intersect adjacent boundaries.

Parcel II

Lot Two (2) of the Smith Falls Subdivision, according to the plat thereof on file with the Boundary County, Idaho Recorder.

SUBJECT TO an easement for an access road and an electrical transmission line through the Northwest Quarter of the Northeast Quarter (NW ¼ NE ¼) of Section Twenty-six (26), Township Sixty-five (65) North, Range Two (2) West more particularly described as follows:

Beginning at the intersection of the westerly right of way of the County Road known as the West Side Road and the north line of said Quarter, which point is South 89°37'58" West 212.76 feet from the northeast corner of said Quarter; thence along said right of way on a curve to the left with a radius of 1005.06 feet and a central angle of 02°40'26" (chord South 09°58'32" East, 46.90 feet) for an arc distance of 46.90 feet; thence South 41°53'08" West 427.16 feet; thence South 01°26'53" West 650.56 feet, more or less, to the northeast corner of Lot One (1) of Smith Falls Subdivision; thence along the north line of said property South 89°46'32" West 228.94 feet; thence continuing South 89°46'32" West 211.70 feet; thence North 438.31 feet; thence North 46°31'32" East 838.88 feet, more or less, to the north line of the quarter; thence along said north line North 89°37'58" East 125.39 feet to the westerly right of way of said county road and the TRUE POINT OF BEGINNING.

SUBJECT TO an easement 100 feet in width for a pipeline through the Southwest Quarter of the Northeast Quarter (SW ¼ NE ¼) of said Section Twenty-six (26), Township Sixty-five North, Range Two (2) West, B.M., Boundary County, Idaho; said strip being 50 feet on each side of the following described centerline:

Beginning at a point on the west line of the Southwest Quarter of the Northeast Quarter (SW ¼ NE ¼) of said Section Twenty-six (26), which is South 00°18'07" East 249.21 feet from the northwest corner of said Southwest Quarter of the Northeast Quarter (SW ¼ NE ¼); thence North 69°29'36" East 523.99 feet; thence on a curve to the right with a radius of 267.89 feet and a central angle of 17°23'51" for an arc distance of 81.34 feet, more or less, to the west boundary of Lot One (1) of Smith Falls Subdivision, with the sidelines of said easement to be extended or shortened to intersect adjacent boundaries.

TOGETHER WITH an easement for ingress and egress situated in the Northwest Quarter of the Northeast Quarter (NW ¼ NE ¼) and the Northeast Quarter of the Northeast Quarter (NE ¼ NE ¼) of Section Twenty-six (26), Township Sixty-five (65) North, Range Two (2) West of the Boise Meridian, Boundary County, Idaho, being Twenty (20) feet in width and lying Ten (10) feet on each side of the following described centerline:

202794

Commencing at a point on the south line of the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of said Section 26 which is North 89 degrees 46' 32" East, 246.38 feet from the southwest corner of said NE $\frac{1}{4}$ NE $\frac{1}{4}$; thence, leaving said south line in a perpendicular direction North 00 degrees 13' 28" West, 26.45 feet to the intersection with the southwesterly right of way of the County Road No. 18, also known as the West Side Road, being also the TRUE POINT OF BEGINNING; thence, leaving said right of way and along the centerline of road as it was found to exist June 7, 2001 the following Nine (9) courses: South 86 degrees 55' 50" West, 43.73 feet; thence, North 78 degrees 10' 46" West, 48.97 feet; thence, North 68 degrees 16' 04" West, 35.46 feet; thence North 51 degrees 13' 53" West, 45.55 feet; thence North 30 degrees 04' 51" West, 78.84 feet; thence, North 41 degrees 55' 20" West, 59.08 feet; thence North 52 degrees 19' 23" West, 148.04 feet; thence, North 56 degrees 36' 16" West, 87.83 feet to the southeasterly end of a bridge lying across Smith Creek; thence along the centerline of said bridge North 57 degrees 38' 35" West, 19.00 feet to the centerline or thread of Smith Creek and the terminus of this easement, with the sidelines extended or shortened to intersect adjacent boundary.

Parcel III

A tract of land in the Southwest Quarter of the Northeast Quarter (SW $\frac{1}{4}$ NE $\frac{1}{4}$) and the West Sixty (60) feet of the Southeast Quarter of the Northeast Quarter (SE $\frac{1}{4}$ NE $\frac{1}{4}$) of Section Twenty-six (26), Township Sixty-five (65) North, Range Two (2) West, B.M., Boundary County, Idaho, more particularly described as follows:

Beginning at the Southwest corner of the Southwest Quarter of the Northeast Quarter (SW $\frac{1}{4}$ NE $\frac{1}{4}$) of said Section Twenty-six (26); thence, North 00 degrees 18' 07" West, along the West line of the Southwest Quarter of the Northeast Quarter (SW $\frac{1}{4}$ NE $\frac{1}{4}$), 1001.83 feet; thence, North 84 degrees 33' 51" East, 665.57 feet, to the center of Smith Creek; thence, along the center of Smith Creek, North 56 degrees 52' 56" East, 158.32 feet; thence, North 28 degrees 20' 26" East, 127.92 feet; thence, North 33 degrees 29' 56" East, 58.38 feet to the North line of the Southwest Quarter of the Northeast Quarter (SW $\frac{1}{4}$ NE $\frac{1}{4}$); thence, along said North line, North 89 degrees 46' 32" East, 484.58 feet; thence, South 00 degrees 23' 42" East, 1312.58 feet; thence, along the South line of the Southwest Quarter of the Northeast Quarter (SW $\frac{1}{4}$ NE $\frac{1}{4}$) and the Southeast Quarter of the Northeast Quarter (SE $\frac{1}{4}$ NE $\frac{1}{4}$), South 89 degrees 55' 04" West, 1376.46 feet to the TRUE POINT OF BEGINNING.

Parcel IV

A tract of land in the Southeast Quarter of the Southwest Quarter (SE $\frac{1}{4}$ SW $\frac{1}{4}$) of Section Thirty-five (35), Township Sixty-two (62) North, Range One (1) East, B.M. Boundary County, Idaho; more particularly described as follows:

Commencing at the point of intersection of the west line of the Southeast Quarter of the Southwest Quarter (SE $\frac{1}{4}$ SW $\frac{1}{4}$) of said Section Thirty-five (35) and the northerly right of way of County Road 21-C, which is North 00 degrees 02' 37" West, 25.00 feet from the southwest corner of said Quarter; thence North 00 degrees 02' 37" West, along said west line, 200.00 feet to the TRUE POINT OF

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BEGINNING of this description; thence North 00 degrees 02' 37" West, along said west line, 215.05 feet; thence South 89 degrees 03' 59" East, 407.08 feet; thence South 00 degrees 56' 01" West, 215.02 feet to the BPA Brass Cap; thence North 89 degrees 03' 59" West, 403.42 feet to the TRUE POINT OF BEGINNING.

LESS THE FOLLOWING DESCRIBED PROPERTY:

Beginning at a point which is South 88 degrees 50' 24" East, 137.34 feet from the west line of the Southeast Quarter of the Southwest Quarter (SE ¼ SW ¼) of said Section Thirty-five (35), which is North 00 degrees 02' 07" West, 200 feet from the intersection of said west line and the northerly right of way of the County Road 21C, thence North 00 degrees 02' 07" West, 88.32 feet, thence South 89 degrees 30' 13" East, 265.04 feet, thence South 00 degrees 02' 07" East, 91.39 feet; thence North 88 degrees 50' 24" West, 265.06 feet to the point of beginning.

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a contract with **US Bank for Trustee and Custodial Services.**

Board Meeting Date: January 7, 2014

Project Name/Contract#: Trustee and Custodial Services/053-2013

Primary Contact: Cathy Bloom Ext. 7150

Purchasing Contact: Sarah Gorsegner Ext. 7348

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contract Amount:

Original Contract Amount: \$ 300,000 over 5 years

Additional \$ Previously Approved: \$ n/a

Invoices over last approval: \$ n/a

Percentage over last approval: n/a %

Amount this Request: \$ 300,000 over 5 years

Resulting Cumulative Total: \$ 300,000 over 5 years

Form of Contract:

Single Purchase
 Services
 Personal Services
 Construction
 IGA
 Price Agreement
 Other

Contracting Method:

Method of Solicitation: Formal Request For Proposal

If applicable, basis for exemption: n/a

Term of Agreement: January 2014-January 2017

Option to Renew? No

Approval for purchases "as needed" for the life of the contract Yes

Narrative:

The Board is being asked to approve a new contract with **US Bank for Trustee and Custodial Services.**

EWEB requires Trustee and Custodial Services to administer and manage debt service funds and accounts, and provide for safekeeping of securities. Contract objectives are to facilitate, manage, and report on bond covenant obligations while maximizing investment returns on excess funds in debt service accounts.

Required services include collection of debt service from EWEB, disbursement of debt service to bondholders, monitoring and investing excess funds, purchasing open market treasury securities, monitoring debt issues for compliance, providing cost-effective access to account information, monitoring and valuing reserve requirements, and ensuring proper debt service payments.

Staff issued a formal Request for Proposals (RFP) in November 2013 to financial institutions that provide Trustee and Custodial Services. Three companies reviewed the solicitation; EWEB received one proposal from US Bank Global Corporate Trust Services of Portland, Oregon. The response was evaluated based on the evaluation criteria stated in the RFP, criteria included company's qualifications, experience, references, and fees.

US Bank was determined to be qualified to provide the services. They have experience supporting over 122,000 bond issues with over \$3.5 trillion in principal issued. They have provided a comprehensive implementation plan, a variety of training options, and offer a competitive fee structure. Staff has issued a notice of Intent to Award the contract to US Bank, pending Board approval.

ACTION REQUESTED:

Management requests Board approve a contract with **US Bank for Trustee and Custodial Services.** Funds for these services were budgeted for 2014 and will be budgeted annually.

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a new contract with **West Yost Associates** for consulting services for the **2014 Water Master Plan Update**.

Board Meeting Date: January 7, 2013
Project Name/Contract#: 2014 Water Master Plan Update
Primary Contact: Mel Damewood Ext. 7145
Purchasing Contact: Guy Melton Ext. 7426

Contract Amount:
Original Contract Amount: \$ 410,000
Additional \$ Previously Approved: \$ N/A
Invoices over last approval: \$ N/A
Percentage over last approval: N/A %
Amount this Request: \$ 410,000
Resulting Cumulative Total: \$ 410,000

Contracting Method:
Method of Solicitation: Request for Proposals No. 055-2013
If applicable, basis for exemption: Not Applicable
Term of Agreement: January 8, 2014 to December 31, 2014
Option to Renew? Yes

Approval for purchases "as needed" for the life of the contract? No

Action Requested:	
<input checked="" type="checkbox"/>	Contract Award
<input type="checkbox"/>	Contract Renewal
<input type="checkbox"/>	Contract Increase
<input type="checkbox"/>	Other
Funding Source:	
<input checked="" type="checkbox"/>	Budget
<input type="checkbox"/>	Reserves
<input type="checkbox"/>	New Revenue
<input type="checkbox"/>	Bonding
<input type="checkbox"/>	Other

Form of Contract:	
<input type="checkbox"/>	Single Purchase
<input type="checkbox"/>	Services
<input checked="" type="checkbox"/>	Personal Services
<input type="checkbox"/>	Construction
<input type="checkbox"/>	IGA
<input type="checkbox"/>	Price Agreement
<input type="checkbox"/>	Other

The Board is being asked to approve a new contract with **West Yost Associates** for consulting services for the **2014 Water Master Plan Update**.

In November 2013 a Request for Proposals was issued for consulting services for EWEB's 2014 Water Master Plan Update. Three proposals were evaluated based on the criteria established in the RFP. Proposals were received from CH2M Hill, Inc. of Corvallis, OR, HDR Engineering, Inc. of Portland, OR, and West Yost Associates of Eugene, OR. West Yost Associates was determined to be the highest-ranked proposer.

West Yost Associates will complete EWEB's 2014 Water System Master Plan update which will include updating system demand projections, completing an evaluation of EWEB's transmission mains, completing a base level and upper level system operation optimization study, reviewing existing design criteria and regulations, evaluating EWEB's distribution system, completing a system resiliency plan, and developing a new 20 year Capital Improvements Plan.

ACTION REQUESTED:

Management requests Board approve a new contract with **West Yost Associates** for consulting services for the **2014 Water Master Plan Update**. Funds for these services were budgeted for 2014 and will be budgeted annually.

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____

Budget Amendment Form

Date: December 18, 2013

Amendment # 1

Contact Information:

Name/Title/E-mail: Steve Newcomb, Environmental Management Manager,
steve.newcomb@eweb.org

General Information:

Project No./Name	Job No./Name
14109 Environ Compliance & Technical Support	36460 Steam Building Decommissioning

Amendment Type: *(Check all that Apply)*

Utility: Electric Water

Category: Major Capital Project Capital O & M Labor & Benefits

Description and Justification for Budget Amendment:

The following represents activity to complete asbestos abatement of the steam plant (building) at HQ. This work was not included in the approved Electric capital plan, and therefore did not have spending authorization to allow for inclusion in the 2014 budget. The first phase of asbestos abatement is underway. Phase II, for boilers #1 and #2 and related turbines, is yet to be contracted. Estimates for Phase II below are based on costs from the contracts currently in force.

Table 1 – Budget Variance Summary

Beginning Budget - Year 2014 –	\$21,555
Phase I completion	127,000
Phase II abatement	720,000
EWEB Labor (0.5 FTE)	85,000
EWEB Labor (0.5 FTE)	60,000
Contingency	60,000
Overhead	27,400
New Requested Budget Amount	\$1,100,955

<i>(Project No.-Job No.) & Description</i>	<i>Actual Expenditures Through 1/1/2014</i>	<i>Projected Year-End Expenditures</i>	<i>Amount Currently Budgeted</i>	<i>Funds Transferred In / (Transferred Out)</i>	<i>Funding Source (job transfer, reserves, bond funds, new revenue)</i>
<i>Total</i>	\$0	\$1,100,955	\$21,555	\$1,079,400	<i>Steam Decommissioning Reserve</i>

Finance Manager Approval: _____ Department Manager Approval: _____

Fiscal Services Supervisor Approval: _____

Board Approval Date: _____



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



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

FROM: Roger Gray, General Manager; Cathy Bloom, Finance Manager; Mel Damewood, Engineering Manager; Frank Lawson, Systems Engineering Supervisor; Wally McCullough, Water Engineering Supervisor; Sue Fahey, Fiscal Services Supervisor

DATE: December 31, 2013

SUBJECT: Proposed Revision to Board Policy EL1, Financial Controls

OBJECTIVE: Approval of Revised EL1

Issue

Board Policy EL1 was developed in 2000 to establish procedures for the annual budget and budget monitoring. Management believes that revising the policy and related procedures to align with industry standards will provide the Board with more proactive and effective budget monitoring information and allow for organizational flexibility. To provide consistent monitoring throughout 2014, Management is requesting approval of this change in January.

Background

The following grid compares the current EL1 procedures to the changes proposed by Management.

Current EL1	Proposed EL1	Comments
1. Board approved budget sets limit for spending authority. (Preamble)	No change	
2. Five-year capital plan approved annually. (Preamble)	Prior to budget approval, ten-year O&M and capital plans for each utility provided to the Board to ensure budget decisions take into consideration long-term financial impacts.	Policy should require both capital and O&M plans be presented. Ten years is more appropriate for a capital intensive business. Long-term planning informs Board decision-making, but is not a financial control. Ten-year plans will be approved at July Board meeting as part of Financial Policies.
3. Board approved budget amendments required for increases in spending authority to the following budgets: Electric O&M, Electric Capital, Water O&M, and Water Capital. (EL1.1 and EL1.3)	No change	

4. Board approved budget amendment if labor/benefits expected to exceed budget. (EL1.2)	Budget amendments only required for #3 above.	Provides organizational flexibility to make better business decisions. Allows General Manager to authorize internal budget transfers to cover unexpected overtime or use of EWEB staff in lieu of contractors. Aligns with industry standards.
5. Budget amendments required if major capital project expenditures exceed certain amount or are not in approved five-year plan. Requires update to five-year plan. (EL1.3a-c)	Budget amendments will only be required if additional spending authority requested. Quarterly capital reports will be provided to the Board indicating annual and total budgets, scope, timeline and progress.	Provides more proactive reporting to Board on all current year capital projects in the capital improvement plan regardless of expenditures. Current policy often results in approval after expenditures have been committed. Reporting format will mirror ten-year capital plan.
6. Definition of major capital project based on <i>annual</i> dollar amount. (\$500,000 Electric and \$250,000 Water)	Quarterly reports will include all projects in the capital improvement plan. Type II/III projects are further defined as those projected to cost \$1 million dollars for the <i>life of the project</i> .	Board will be provided with information on multi-year projects using the same criteria as single year projects. Provides alignment between capital plan and quarterly Board reports.
7. No financial report requirements stated.	Quarterly financial results comparing budget and actual results provided to Board. Requires an independent financial audit.	Policy aligned to match current procedures.

Attached is the current EL1 policy, the current EL1 indicating proposed revisions, and proposed EL1. Additionally, a draft format of the quarterly capital report is included as Attachment 4.

Recommendation Requested Board Action

Management recommends approval of revised Board Policy EL1.

Attachments

- Attachment 1 - Current EL1
- Attachment 2 - Current EL1 with Revisions
- Attachment 3 - Proposed EL1
- Attachment 4 – Quarterly Capital Report Format Draft

ATTACHMENT 1

Policy Number: EL1
Policy Type: Executive Limitations
Policy Title: Financial Controls
Effective Date: May 16, 2006

Consistent with the Financial Policy on Budget (SD6), staff will bring a balanced budget to the Board for approval on an annual basis. In its totality, the annual budget is the absolute maximum level of expenditure authorized by the Board. In addition to the annual budget, staff will bring a Five-Year Capital Improvement Plan for each utility to the board for approval on an annual basis. Conditions may arise during any given budget year that cause projected expenditures for either utility as a whole to be higher than those approved by the Board in the annual budget. In the following circumstances executive management is required to propose a budget amendment:

1. The operating budget of either the Water or the Electric utility is projected to exceed the authorized budget amount.
2. The total EWEB labor and benefit expenditures are expected to be more than the budgeted labor and benefit costs.
3. The capital budget of either the Water or the Electric utility is projected to exceed the authorized budget amount; or
 - a. Expenditures for a major capital project are projected to exceed or are actually expended in excess of the budgeted amount for that project by the lesser of 25%, or \$250,000 for Electric or \$125,000 for Water; or
 - b. A project that is not in the approved Five-Year Capital Improvement Plan that is projected to cost in excess of \$500,000 for Electric or \$250,000 for Water in the current year.
 - c. Budget amendments required under either "a" or "b" above will be accompanied by an updated view of the Five-Year Capital Improvement Plan, with the impact of the proposed amendment reflected in the plan. The update is for review purposes only; the Five-Year Capital Improvement Plan will only be approved once per year.

The Board will consider each proposed budget amendment and either approve or disapprove. In the event of disapproval, the General Manager will exercise established authorities in taking actions necessary to curtail spending within authorized levels.

All other budget variances will be managed at the discretion of the General Manager.

Note: Major Capital Budget Projects are defined as those projects in excess of \$500,000 for the Electric Utility or \$250,000 for the Water Utility. Lists of projects that meet these criteria are included in the budget document approved by the Board for both the Electric and Water Utilities.

Source: Jim Origliosso, Board Approved 2000, Ratified 04/19/2005, Amended 07/19/2005, Amended 01/17/2006, Amended 05/16/2006

ATTACHMENT 2

Policy Number: EL1
Policy Type: Executive Limitations
Policy Title: Financial Controls
Effective Date: May 16, 2006

Consistent with the Financial Policy on Budget (SD6), staff will bring a balanced budget to the Board for approval on an annual basis. Each utility shall have an operations & maintenance (O&M) budget and a capital budget. ~~In its totality, the annual~~ Each budget is the ~~absolute~~ maximum level of expenditure authorized by the Board. Prior to budget approval, ten-year O&M and capital plans will be provided to the Board to ensure that decisions take into consideration long-term financial impacts. ~~In addition to the annual budget, staff will bring a Five Year Capital Improvement Plan for each utility to the board for approval on an annual basis.~~

Conditions may arise during any given budget year that cause projected expenditures for either utility Utility's O&M or capital budgets ~~as a whole~~ to be higher than those approved by the Board ~~in the annual budget~~. In the following circumstances executive management is required to propose a budget amendment:

1. The ~~operating~~ O&M budget of either the Water or the Electric utility is projected to exceed the authorized budget amount; ~~or~~

~~2. The total EWEB labor and benefit expenditures are expected to be more than the budgeted labor and benefit costs.~~

~~3. The capital budget of either the Water or the Electric utility is projected to exceed the authorized budget amount; ~~or~~.~~

~~a. Expenditures for a major capital project are projected to exceed or are actually expended in excess of the budgeted amount for that project by the lesser of 25%, or \$250,000 for Electric or \$125,000 for Water; ~~or~~~~

~~b. A project that is not in the approved Five Year Capital Improvement Plan that is projected to cost in excess of \$500,000 for Electric or \$250,000 for Water in the current year.~~

~~e. Budget amendments required under either "a" or "b" above will be accompanied by an updated view of the Five Year Capital Improvement Plan, with the impact of the proposed amendment reflected in the plan. The update is for review purposes only; the Five Year Capital Improvement Plan will only be approved once per year.~~

The Board will consider each proposed budget amendment and either approve or disapprove. In the event of disapproval, the General Manager will exercise established authorities in taking actions necessary to curtail spending within authorized levels. All other budget variances will be managed at the discretion of the General Manager.

Throughout the year, staff will provide the Board with quarterly financial reports that compare actual results with budget. Additionally, staff will provide the Board with quarterly updates for all current year projects on the Capital Improvement Plans. General Capital Renewal and Replacement projects (Type I) will be reported by category (e.g., substations, shared IT infrastructure, transmission & distribution mains). Infrastructure Rehabilitation & Expansion (Type II) and Strategic Projects (Type

III) will be reported individually. Type II and III projects are further defined as those that are projected to be greater than \$1 million for the life of the project.

Annually, an independent audit of the Utilities' financial statements will be performed and the results reported to the Board.

Note: Major Capital Budget Projects are defined as those projects in excess of \$500,000 for the Electric Utility or \$250,000 for the Water Utility. Lists of projects that meet these criteria are included in the budget document approved by the Board for both the Electric and Water Utilities.

Source: Jim Origliosso, Board Approved 2000, Ratified 04/19/2005, Amended 07/19/2005, Amended 01/17/2006, Amended 05/16/2006

ATTACHMENT 3

Policy Number: Proposed EL1
Policy Type: Executive Limitations
Policy Title: Financial Controls
Effective Date:

Consistent with the Financial Policy on Budget (SD6), staff will bring balanced Electric and Water Utility budgets to the Board for approval on an annual basis. Each Utility shall have an operations & maintenance (O&M) budget and a capital budget. Each budget is the maximum level of expenditure authorized by the Board. Prior to budget approval, ten-year O&M and capital plans will be provided to the Board to ensure that decisions take into consideration long-term financial impacts.

Conditions may arise during any given budget year that cause projected expenditures for either Utility's O&M or capital budgets to be higher than those approved by the Board. In the following circumstances management is required to propose a budget amendment for Board approval:

1. The O&M budget of either the Water or the Electric Utility is projected to exceed the authorized budget amount; or
2. The capital budget of either the Water or the Electric Utility is projected to exceed the authorized budget amount.

The Board will consider each proposed budget amendment and either approve or disapprove. In the event of disapproval, the General Manager will exercise established authorities in taking actions necessary to curtail spending within authorized levels. All other budget variances will be managed at the discretion of the General Manager.

Throughout the year, staff will provide the Board with quarterly financial reports that compare actual results with budget. Additionally, staff will provide the Board with quarterly updates for all current year projects on the Capital Improvement Plans. General Capital Renewal and Replacement projects (Type I) will be reported by category (e.g., substations, shared IT infrastructure, transmission & distribution mains). Infrastructure Rehabilitation & Expansion (Type II) and Strategic Projects (Type III) will be reported individually. Type II and III projects are further defined as those that are projected to be greater than \$1 million for the life of the project.

Annually, an independent audit of each Utility's financial statements will be performed and the results reported to the Board.

Capital Plan Major Projects

2014-Q3 Quarterly Update Report - SAMPLE DATA ONLY

		2014			Project Total			Completion Date			Status/Comments	
		Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start Date	Initial Plan	(Projected) Actual		
These categories and projects will match the Capital Improvement Plan (CIP) + additional qualifying projects.												
Type 1 - General Capital												
1	Electric Infrastructure - Generation	\$1,840,000	\$1,443,945	\$1,516,142	These categories will match the Capital Improvement Plans (CIPs) submitted by Water & Electric. Type 1 - General Capital is budgeted Year-by-Year for recurring capital expenditures from January through December. Typical Type 1 Capital includes categorized collections of projects of less than \$1 million. Typical examples include "pole replacements" as part of Transmission & Distribution. This work typically involves many small projects that up to \$1.2-\$1.7 million per year.						Completed west-bank fish ladder at Leaburg	
2	Electric Infrastructure - Substations & Telecom	\$1,455,456	\$2,142,626	\$2,249,757							Several 115kV breakers replaced in 2013	
3	Electric Infrastructure - Transmission & Distribution	\$8,320,000	\$7,691,266	\$8,075,829							Progress made on Disaster Recovery	
4	Shared IT infrastructure	\$2,332,000	\$3,507,910	\$3,683,306							Working on "opt-in" re-planning	
5	Electric specific technology improvements	\$750,000	\$564,213	\$592,424								
6	AMI network and IT work	\$300,000	\$132,745	\$139,382								
7	WACFR - Work, Asset, Customer and Financials	\$2,753,847	\$3,680,485	\$3,864,509								
8	General Plant - Buildings & Land Management		\$151,217	\$158,778								
9	General Plant - Electric Fleet Capital	\$980,883	\$1,154,057	\$1,211,760								
10	LTD West Site EMX	\$0	\$54,245	\$56,957								
Type 2 - Infrastructure Rehabilitation & Expansion												
12	Back Up Control Center	\$303,000	\$822,002	\$822,002	\$1,467,474	\$1,237,446	\$1,237,446	Apr-2012	Jul-2013	Jul-2013	2013 BAM to \$850K; Met NERC deadline 7-1-13	
13	Landis & Gyr 5300/5500 RTU Replacements	\$600,000	\$193,707	\$343,707	\$1,250,000	\$254,283	\$1,500,000	Jan-2013	Dec-2014	(Dec. 2016)		
14	Downtown Network - Implementation of new system	\$4,226,125	\$2,289,735	\$2,789,735	\$15,500,000	\$3,311,735		Sep-2010	Dec-2014	TBD		
15	Extend WillowCk Fdr 5721 W on W 11th to Danebo Fdr 4923	\$1,008,000	\$1,001	\$1,001	\$1,008,000	\$2,861		Jun-2013	Dec-2013	TBD	Postponed to fund and resource DT Network Proj.	
16	River Road Breaker Enhancement	\$0	\$141,582	\$141,582	\$834,514	\$1,045,092		Nov-2011	Nov-2012	Mar-2013	Project delayed because of materials issues	
17	Energy Insight	\$90,013	\$517,069	\$650,000	\$750,000	\$778,435	\$1,100,000	Mar-2011	Apr-2013	Nov-2013	2013 BAM-11 \$749,641, Approved Nov.	
18	Metro Ethernet	\$1,274,000	\$980,925	\$980,925	\$5,725,000	\$4,489,066		Apr-2012	Jul-2013	Note	July 1, Working on post-commissioning bug fixes	
Type 3 - Strategic Projects & Programs												
20	AMI Deployment - Meter Acquisition Costs	\$0	\$5,436	\$5,436	\$12,400,000	\$5,436		Example - Early stages of a large project. Board gets early visibility even if present-year is under \$1MM				
21	Carmen Smith License Implementation	\$7,528,000	\$2,947,222	\$3,065,111	\$165,280,000							
Example - Project remains visible even when present-year drops below \$1 million threshold		Example - Evolving projects that pass \$1 million threshold that would never pass in any one year, but accumulate over time.		Example - Project over \$1 million that has been postponed. Board is aware when high-profile projects get delayed or postponed.								

Type 1, 2, 3 Description Here.... For Reference.

ATTACHMENT 4