



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Cathy Bloom, Finance Manager; Sue Fahey, Fiscal Services Supervisor; Harvey Hall,
Senior Financial Analyst and Adam Rue, Energy Resource Analyst II
DATE: March 30, 2015
SUBJECT: COSA and Rate Making Update

Issue

At the Board's request, staff will be presenting a Cost of Service Analysis (COSA), Revenue Requirements and Rate Making update at the upcoming April 7 regular Board meeting.

Discussion

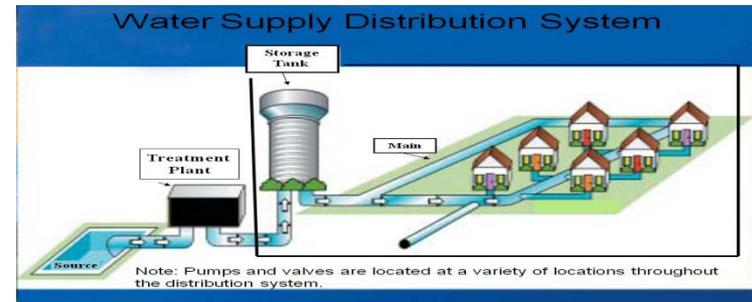
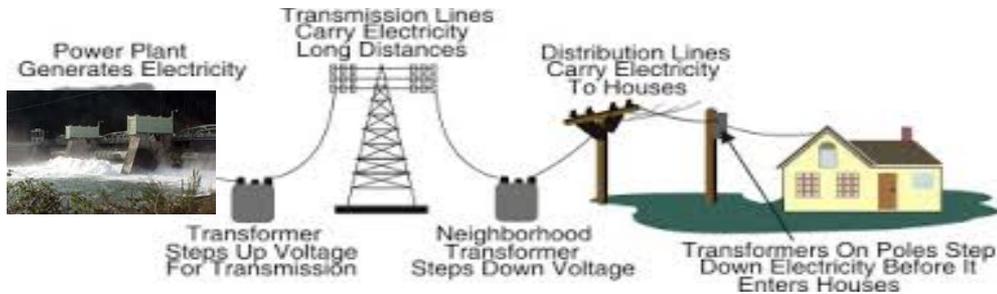
Staff will be sharing a brief overview of the COSA, revenue requirements and ratemaking process.

Requested Board Action

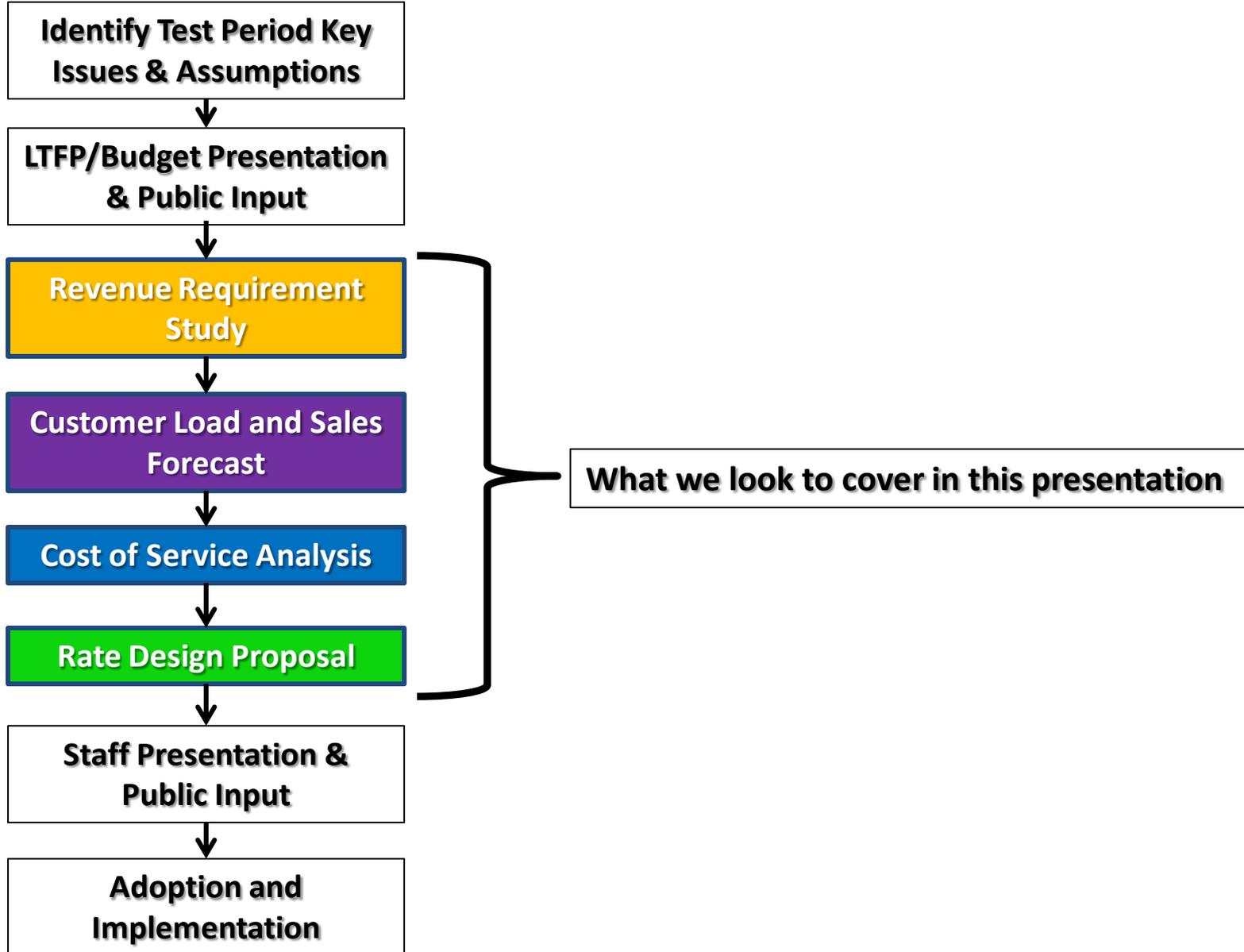
Information only.

EWEB Rates

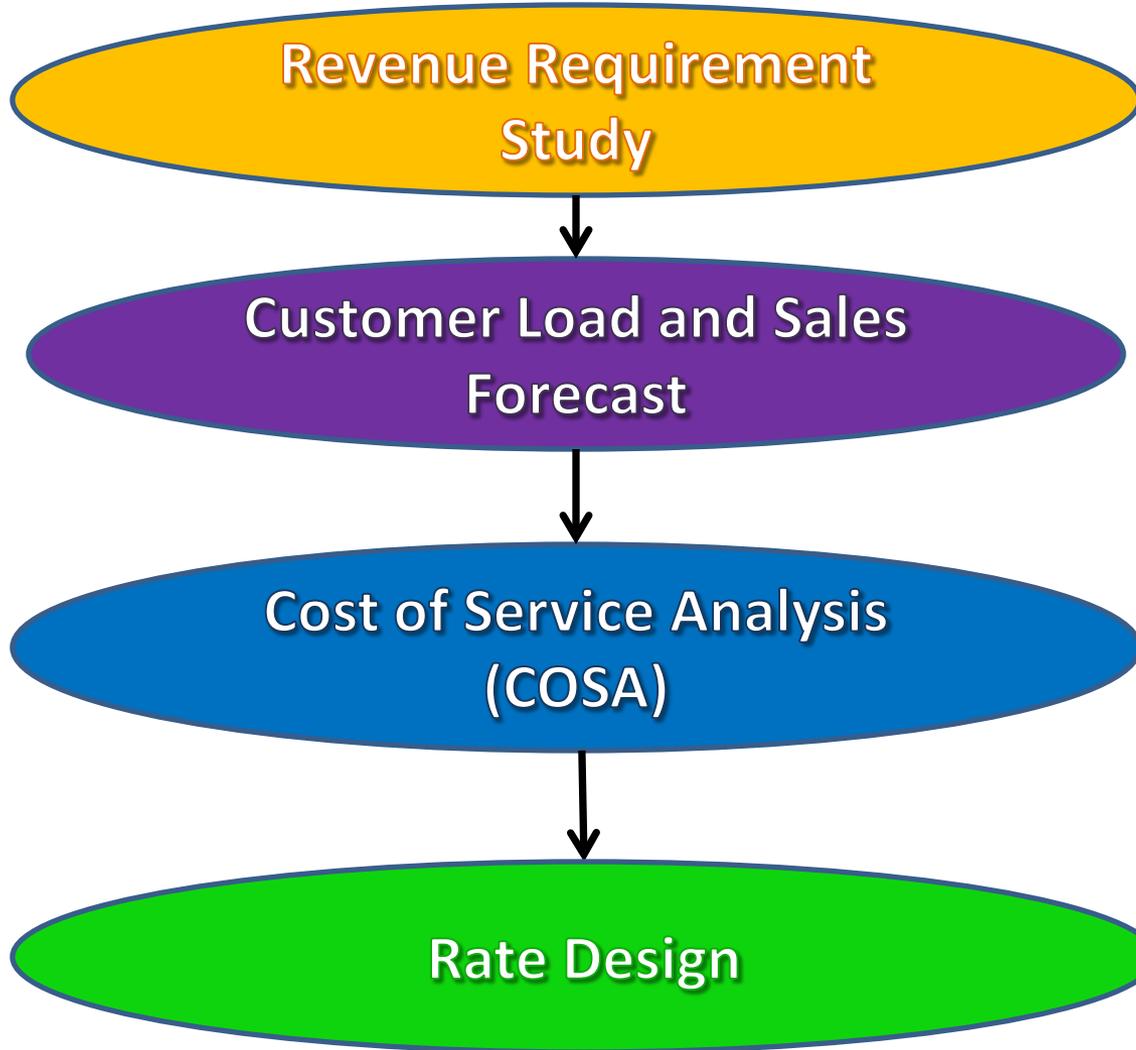
The journey from Revenue Requirements to Proposed Rates



EWEB Rates

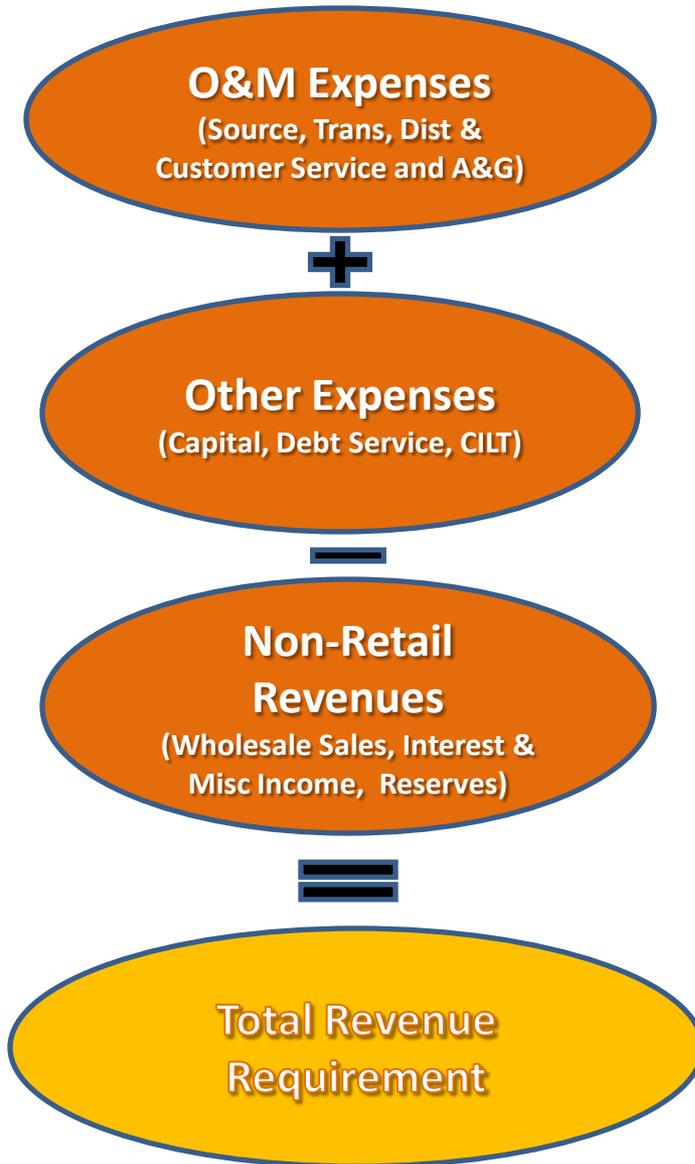


EWEB Rate Development Process OVERVIEW



EWEB Rate Development Process

REVENUE REQUIREMENT



Task 1: Revenue Requirement

- Determine total cost of service
 - A – O&M Expense
 - B – Other Expenses
 - C – Non Retail Revenue

EWEB Rate Development Process

CUSTOMER LOAD & SALES FORECAST

Customer Load
Analysis and
Projection



Current Retail Rates



Customer Load and Sales
Forecast

Task 1: Revenue Requirement

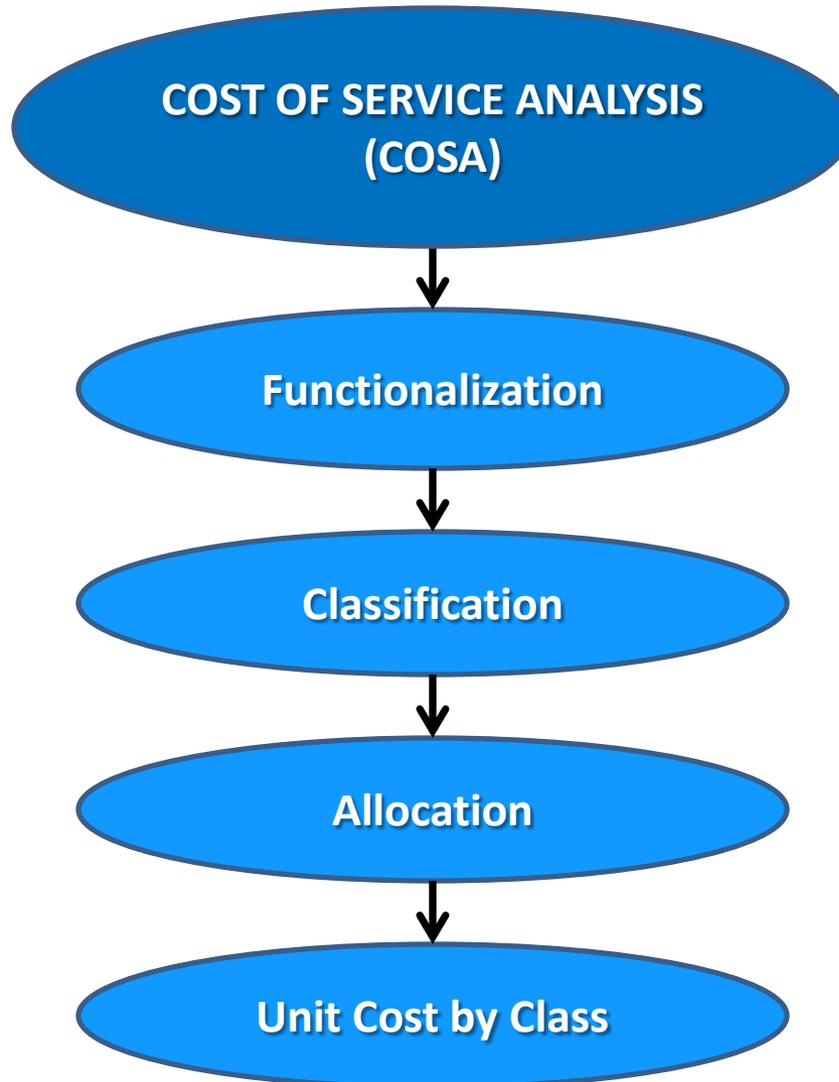
- Determine total cost of service

Task 2: Load and Sales Forecast

- A - Identify energy/water source needs
- B - Retail revenue forecast based on current rates

EWEB Rate Development Process

COST OF SERVICE STUDY



Task 1: Revenue Requirement

- Determine total cost of service

Task 2: Load and Sales Forecast

- A - Identify energy/water source needs
- B - Retail revenue forecast

Task 3: Cost of Service

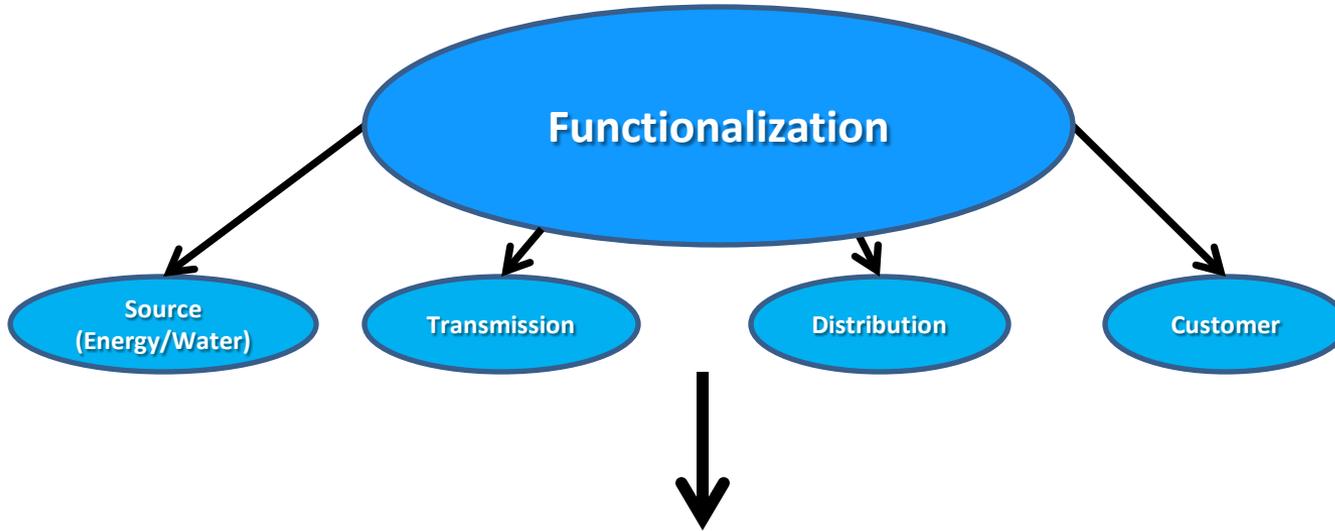
- Identify class responsibility for revenue requirement
- Provide unit cost information for use in rate design

Process

- A – Functionalization
- B – Classification
- C – Allocation
- D – Unit Cost by Class

EWEB Rate Development Process

COST OF SERVICE STUDY



Task 1: Revenue Requirement

- Determine total cost of service

Task 2: Load and Sales Forecast

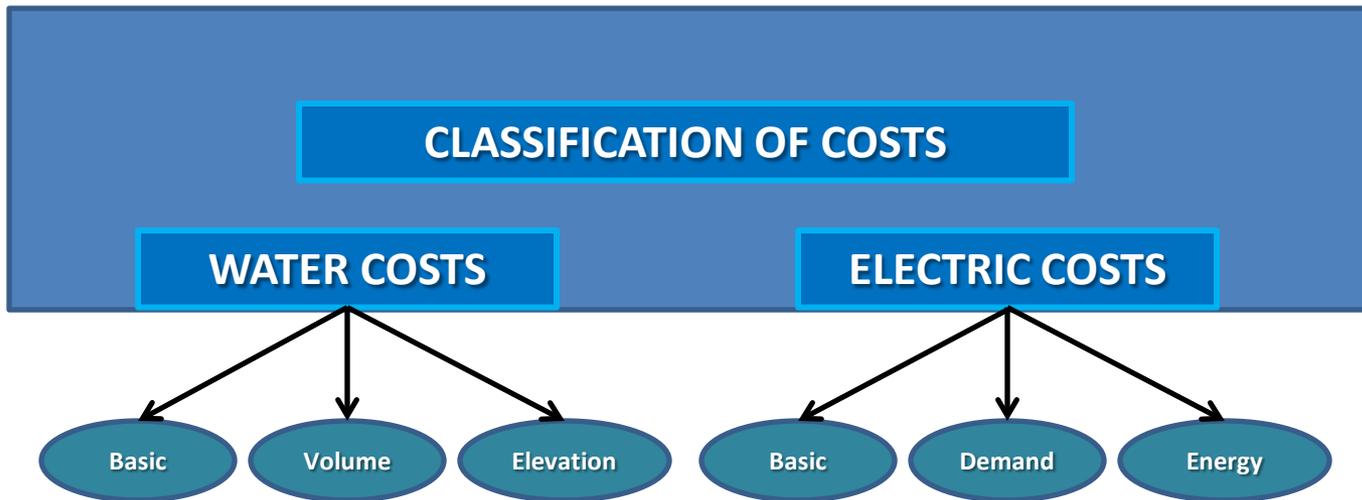
- Identify energy/water source needs
- Retail revenue forecast

Task 3: Cost of Service

- Identify class responsibility for revenue requirement
- Provide unit cost information for use in rate design

Process

- **A – Functionalization**
- **B – Classification**
- C – Allocation
- D – Unit Cost by Class



EWEB Rate Development Process

COST OF SERVICE STUDY

Task 1: Revenue Requirement

- Determine total cost of service

Task 2: Load and Sales Forecast

- Identify energy/water source needs
- Retail revenue forecast

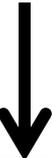
Task 3: Cost of Service

- Identify class responsibility for revenue requirement
- Provide unit cost information for use in rate design

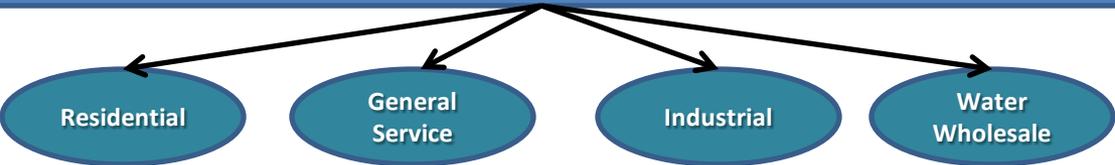
Process

- A – Functionalization
- B – Classification
- **C – Allocation**
- **D – Unit Cost by Class**

ALLOCATION OF COSTS



UNIT COSTS BY CLASS



EWEB Rate Development Process

RATE DESIGN

APPLICATION OF RATE POLICY & PRINCIPLES

Sufficiency

Affordability

Efficiency

Cost Basis

Equity

Gradualism

RATE DESIGN

PROPOSED RATES

Residential Rates

General Service Rates

Industrial Rates

Water Wholesale Rates

Task 1: Revenue Requirement

- Determine total cost of service

Task 2: Load and Sales Forecast

- Identify energy/water source needs
- Retail revenue forecast

Task 3: Cost of Service

- Identify class responsibility or revenue requirement
- Provide unit cost information for use in rate design.

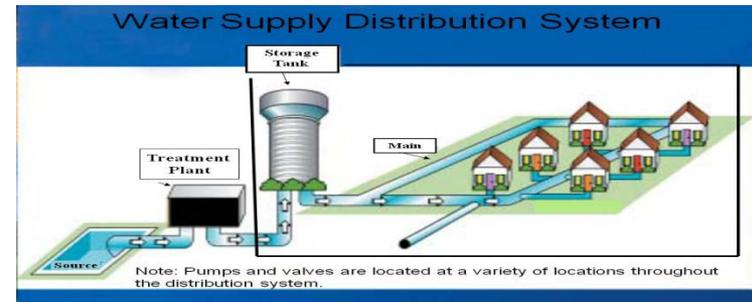
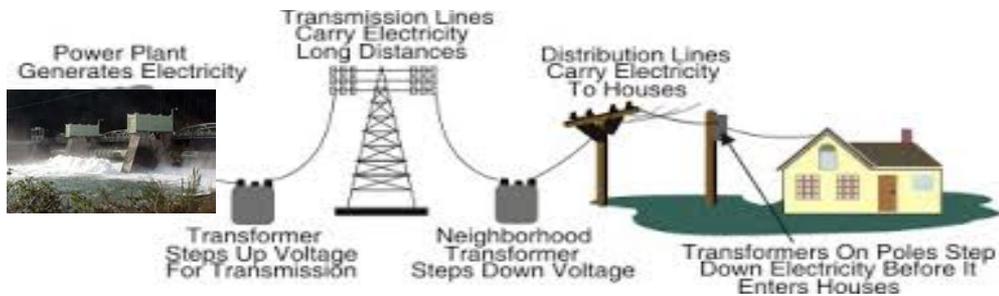
Task 4: Rate Design

- Recover adequate revenue
- Balance other ratemaking objectives

PROCESS

- A. Application of Rate Policy & Principles
- B. Rate Design
- C. Proposed Rates

QUESTIONS



Glossary of Terms

Basic Charge: A fixed monthly charge based on fixed costs associated with such things as metering, meter reading, billing, etc. exclusive of *demand* or energy/water consumption.

Classification: The allocation of costs into: basic, demand and *energy/water* costs types.

Cost-of-service Analysis: The analysis to determine the estimated cost EWEB incurs by providing electric or water service to a *customer class*. The process is the allocation of total utility costs (Revenue Requirement) to services provided to each customer class.

Cost-Based Rates: A ratemaking concept used for the design and development of rate schedules to ensure that the filed rate schedules recover only the cost of providing the service and maintaining adequate financial reserves.

Customer Class: Retail customers are divided into classes for purposes of rate-setting, resource planning, usage distribution and cost analysis (e.g. residential, general service, industrial, wholesale)

Customer Load: (expressed as "kWh" or "kilowatt-hours" for electric and Kgals for water)
The amount of energy/water consumed by a customer. This includes line loss for electric.

Demand: (expressed as "kW" or "kilowatts" for electric)
The rate at which electric energy is delivered to or by a system or piece of equipment at a given instant or averaged over any designated period of time. EWEB plans facilities based on the maximum demand expected at any time from a customer's business or home. The demand portion of a bill is designed to cover the costs of having capacity available for customer use. Covers costs related to transformers, utility poles, power lines, wheeling and substations.

Energy: (expressed as "kWh" or "kilowatt-hours")
The amount of electricity a customer uses during the billing period. In some cases, an electric meter registers only a portion of the kilowatt-hours used, and a meter multiplier must be used to determine the customer's actual kilowatt-hour usage. Any multiplier, if applicable, is shown on the customer's bill. Covers costs related to purchased power and EWEB owned generation.

Functionalization: The allocation of costs into four functions: Production, Transmission, Distribution and Customer Service.

Rate Design: The application of rate policy and principles to determine the structure and design of retail customer rates to recover EWEB's revenue requirement.

Ratemaking Principles: EWEB's philosophy and values that guide the rate design process.

Revenue Requirement: The amount of revenue that EWEB must generate to cover its operating expenses, capital costs, and debt service payments less non-retail revenue and adjusting for deposits to/withdrawals from financial reserves.

Wheeling: The transportation of electrical energy over transmission lines.