MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

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

FROM: Sue Fahey, Finance Manager; Harvey Hall, Deborah Hart and Edward Yan, Senior Financial Analysts

DATE: November 18, 2015

SUBJECT: 2016 Proposed Budgets, Revenue Requirements, and Prices

OBJECTIVE: Approval of 2016 Budget and Price Proposals

Issue

At the November 3, 2015 Board meeting, Management presented proposals for the Electric and Water Utilities' 2016 budgets and February 2016 price changes. Additionally, the first public hearing on those proposals was held. By statute, the Board is required to approve the Utility budgets, as represented in Attachment 1 of the proposed budget document, prior to January 1st.

Background

Budget

Changes after the November public hearing

To offset a potential increase to the electric basic charge, an additional $85,000 was added to the Electric Operations & Maintenance (O&M) budget for customer care. Further, refinements included an additional $56,000 of miscellaneous revenue and offsetting expenses, and the shift of approximately $600,000 in labor costs among functional classifications to more closely align with projected expenses. Both these items were split between the Water and Electric Utilities' O&M budgets and resulted in no net change. Additionally, $141,000 in expense for previously issued bond costs was added to the Electric O&M budget to align with accounting requirements. These changes are noted on page 1 of the proposed budget.

Other Background Information

Over the last several years, both the Water and Electric Utilities have been facing financial challenges. Those challenges have been managed by strategically reducing operations & maintenance and capital costs, designing price structures that increase fixed cost recovery, asset sales, and prudently using reserves to strengthen financial metrics. The major strategies employed over the last several years are in Attachment 1.

At the November 3rd Board meeting, staff presented proposed budgets that included several assumptions. At the meeting, the Board provided direction on the assumptions used to develop the 2016 revenue requirements and proposed budgets which are included in Attachment 2.

Included in the proposed budgets is over $4 million incentives and other customer assistance in energy efficiency measures. EWEB looks to energy efficiency to meet customer load growth and peak energy needs for the future as expressed in our current Integrated Energy Resource Plan (IERP). We define conservation consistent with the NW Power Act as any reduction in electric power consumptions as a result of increase in the efficiency of energy use, production or distribution. Also included in the proposed budgets is $1.5 million in limited income customer assistance.

Electric Price Proposal

Background

EWEB sets electric price schedules in compliance with the Public Utility Regulatory Policies Act of 1978 (PURPA) "Rates charged by any electric utility for providing electric service to each class of electric consumers shall be designed, to the maximum extent practicable, to reflect the costs of providing electric service to such class". To balance impacts of price design impact to customers, EWEB practices the rate principle of gradualism to implement changes over time.

Currently, residential fixed or sunk costs incurred by EWEB are approximately 50% of the total costs. The current residential basic charge reflects about 20% of the total monthly bill. The remaining fixed or sunk costs are collected based on consumption and actual usage which represents about 80% of the average bill. Fixed or sunk costs include grid services (transmission and distribution poles, wires, transformers, substations), generation infrastructure and customer costs (e.g. meter reading, customer service, and billing).

In the current price structure, if residential customers who use about 570 kWh's per month (approximately 35% of all residential customers) reduced usage by 10%, residential retail revenue would decrease by about $2 million of which approximately $600,000 would be unrecovered fixed costs. All things being equal, the $600,000 would be covered immediately by drawing down reserves which creates financial pressure in the future almost certainly resulting in price increases. This is a direct result of a rate/pricing structure where cost causation is not coupled properly to rate structure.

Overall Average Price Increase Proposal: An overall average 2.5% price increase to recover revenue requirements. This is necessary to create a balanced budget regardless of the final rate/price design decision.

The 2016 Electric Price Proposal represents a 2.5% increase in overall revenue requirements entirely due to the Bonneville Power Administration (BPA) increase that was effective October 1, 2015. Due to organizational cost control efforts, about 20% of the BPA increase has been mitigated and for the second year in a row, no general price increase is proposed. Management is recommending that the Board approve a 2.5% overall average price increase effective for bills rendered on and after February 1, 2016.

Rate/Price Design Proposals: Using an overall average price increase of 2.5% in revenue requirements, approval is requested for one of the following four options:

- Option 1: 2.5% price increase on all price elements for residential and general service (GS) customers. Preserves current price structure.

- Option 2: $5 increase to residential Basic Charge ($25.00) and implementation of price design changes for residential and GS customers. For residential customers, price design changes include combining all volumetric charges into one energy tier. GS changes include a gradual shift of fixed costs from energy charges to the Basic Charge and an adjustment to the Basic Charge and Demand Charge for the first 300KW for Medium and Large GS customers. The change to the Medium and Large GS Demand price creates a smoother a bill impact as customers move between classes.

- Option 3: $5 increase to residential Basic Charge ($25.00) with offset to residential Delivery Charge and no change to Energy Charge tiers. Implementation of price design changes for GS customers as noted in Option 2.

- Option 4: Total 2.5% residential revenue requirements change added to residential Basic Charge ($22.70) with no change to residential Delivery and Energy Charge tiers. Implementation of price design changes for GS customers as noted in Option 2.

For options 2 and 3 only, Management is recommending that the Board approve an additional $85,000 for limited income assistance. The $85,000 represents a portion of the annual $5 increase in the Basic Charge for impacted limited income residential customers. Options 2, 3 & 4 enhance fixed cost recovery and provide improved customer bill stability. Financially challenged and fixed income customers struggle more during the high heating winter months when bills are higher and less during low usage months. A higher basic charge combined with a lower usage charge provides more relief during the winter months. The price proposal also includes a GS time of use rate and a change in the open access transmission tariff. Management notes that the limited income assistance supported by the Board to mitigate impacts on low consumption/low income customers does not help high consumption/low income customers. However, the proposed changes to price structure do reduce overall bills for high consumption customers (including low income) overall.

Attachment 3 provides the summary of residential current and proposed price options. Attachment 4 compares the monthly bill impacts of Options #1, 2, 3 and 4.

Below is a seasonal bill comparison for various usage levels by Option.

	Seasonal Electric Bill Comparison							
	Option 1		Option 2		Option 3		Option 4	
Avg Usage kWh's	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter
570	$42.23	$118.79	$47.04	$120.25	$46.36	$121.59	$44.06	$119.29
1,600	$144.79	$288.26	$142.74	$266.76	$147.13	$288.01	$144.83	$285.71
2,500	$221.40	$445.56	$208.96	$402.75	$222.36	$442.49	$220.06	$440.19

Management recommends the Board approve Option 4 (2.5% revenue requirement increase added to basic charge) which enhances both EWEB's financial stability and most customers' bill stability slightly over Option 1 (2.5% increase to all price components).

Water Price Proposal

Changes to the 2016 Water Price Proposal since the November meeting are outlined on page one of the proposal in the executive summary. These updates resulted in no net change to the revenue requirement and no change in the proposed price change. The 2016 Water Price Proposal represents a 3.6% increase in overall revenue requirements. In 2013, the Board approved a price smoothing strategy for the Water Utility in part based on the decision to avoid significant price increases during major construction years on an alternative water supply (AWS). Eugene is the largest city in Oregon without a diverse water supply which poses a substantial risk to ensuring EWEB customers continue to receive safe, reliable, high quality water. The 2014 price increase included 3 percentage points to be set aside for future AWS costs. In 2016, approximately $1 million is projected to be added to the AWS designated fund as a result of that increase. The Board has discretion to transfer additional money into this fund during the annual reserve transfer process. The designated funds will be used to support AWS costs and reduce the amount of bonds issued in 2019. After 2019, the revenues received from the 3 percentage points will be used to pay AWS related debt service costs.

Management is recommending that the 3.6% price increase be spread equally across all classes. A new fixed assets system and accounting structure were implemented in late 2014. As more information is gathered, staff will be better able to categorize costs by class and determine appropriate price changes by class. Attachment 5 contains the summary of current and proposed prices for residential and GS inside city customers.

Requested Board Action

After the public hearing on the 2016 budget and price proposals, Management recommends approval of 1) the 2016 Budgets for the Electric and Water Utilities as indicated in Attachment 1 of the budget document; 2) the 3.6% overall average Water price increase; 3) the 2.5% overall average Electric price increase and 4) the Electric price design Option 4; and the related Resolutions No. 1534, 1535 and 1536. As an alternative, the Board may choose to approve rate design Option 1, 2, or 3.

Attachment 1 – Financial Strategies 2012-2015
Attachment 2 – 2016 Key Budget Assumptions
Attachment 3 – Electric Price Options
Attachment 4 – Electric Price Option Monthly Bill Comparisons
Attachment 5 – Water Price Comparison – 3.6% average price increase

Attachment 1
Financial Strategies 2012-2015

2012

- Electric utility introduced a rate stabilization fund to formally handle swings in revenue and expense due to natural fluctuation in hydro conditions.

2013

- Reduction measures :
  ~ Position reductions - Over 50 FTE
  ~ O&M reductions - $7.5M; Capital spending deferral $60M
- Established a centralized contingency account to be used for unanticipated expenses, revenue shifts and emergency needs.
- The budget assumed hydro generation based on 90% of average stream flow. Unsustainable reserve draws to balance budget eliminated.
- Began ongoing water price design changes, relying more on basic charge and less on volumetric charge.
- Began completing budget-based power market hedging earlier in the year.
- Implemented priority based budgeting.

2014

- Reduction measures :
  ~ Position reductions - 20 FTE
  ~ O&M reductions - $3.6M; Capital spending deferral or elimination $20M
- Board approved financial policies to align Electric Utility with a single "A" rated utility.
- Established a designated fund for future Alternative Water Supply (AWS) project.
- Began ongoing Electric price design changes.
- Implemented department budget monitoring.

2015

- $28.8M Harvest Wind debt extinguished through strategic use of reserves.
- Water Utility established rate stabilization fund.
- Financial initiative adjustments - Electric Utility $2.5 million in ongoing savings, Water Utility $380,000 in ongoing savings.

Attachment 2
2016 Key Budget Assumptions

Both Utilities

- 2.4% non-labor CPI increase as per the US Bureau Labor and Statistics, Portland/Salem 10 year average
- Labor/Benefits increases:
    - 2.4% wage escalation based on an average of the Portland/Salem CPI for All Urban Consumers (CPI-U) and Wages (CPI-W)
    - Non-retirement benefits increase – 8%

- Financial Initiative Adjustments, including savings in health insurance – Electric: approximately $2.5 million decrease. Water: approximately $380,000 decrease.
- Price changes effective February 1st

Electric

- Retail load approximately the same as 2015 budget – 2.5 million MWh that includes a 1% load increase for residential and general service customers in 2016 which is offset by an extended outage of a large usage customer
- BPA increase of 7.1% power and 4.4% Transmission costs
- Budget vs. expected risk tolerance of $3.6 million
- $25/MWh melded mid-market price curve

Water

- Consumption: 7.6 million kgals; approximately the same as the 2015 budget
- Capital bond issuance of approximately $16 million

Attachment 3
Electric Utility Price Options

Residential Service
Existing vs. Proposed Prices
Option 1

	Existing Prices	Proposed Prices	Percent Difference
Basic Charge:	**$20.00**	**$20.50**	**2.5%**
Delivery Charge:	**$0.02560**	**$0.02624**	**2.5%**
Energy Charge:			
SUMMER			
First 800 kWh	**$0.05803**	**$0.05948**	**2.5%**
Over 800 kWh	**$0.07254**	**$0.07435**	**2.5%**
WINTER			
First 800 kWh	**$0.05803**	**$0.05948**	**2.5%**
Over 800 kWh	**$0.07254**	**$0.07435**	**2.5%**

Residential Service
Existing vs. Proposed Prices
Option 2

	Existing Prices	Proposed Prices	Percent Difference
Basic Charge:	**$20.00**	**$25.00**	**25.0%**
Delivery Charge:	**$0.02560**	**NA**	
Energy Charge:		**$0.08696**	
SUMMER			
First 800 kWh	**$0.05803**	**NA**	
Over 800 kWh	**$0.07254**	**NA**	
WINTER			
First 800 kWh	**$0.05803**	**NA**	
Over 800 kWh	**$0.07254**	**NA**	

Residential Service
Existing vs. Proposed Prices
Option 3

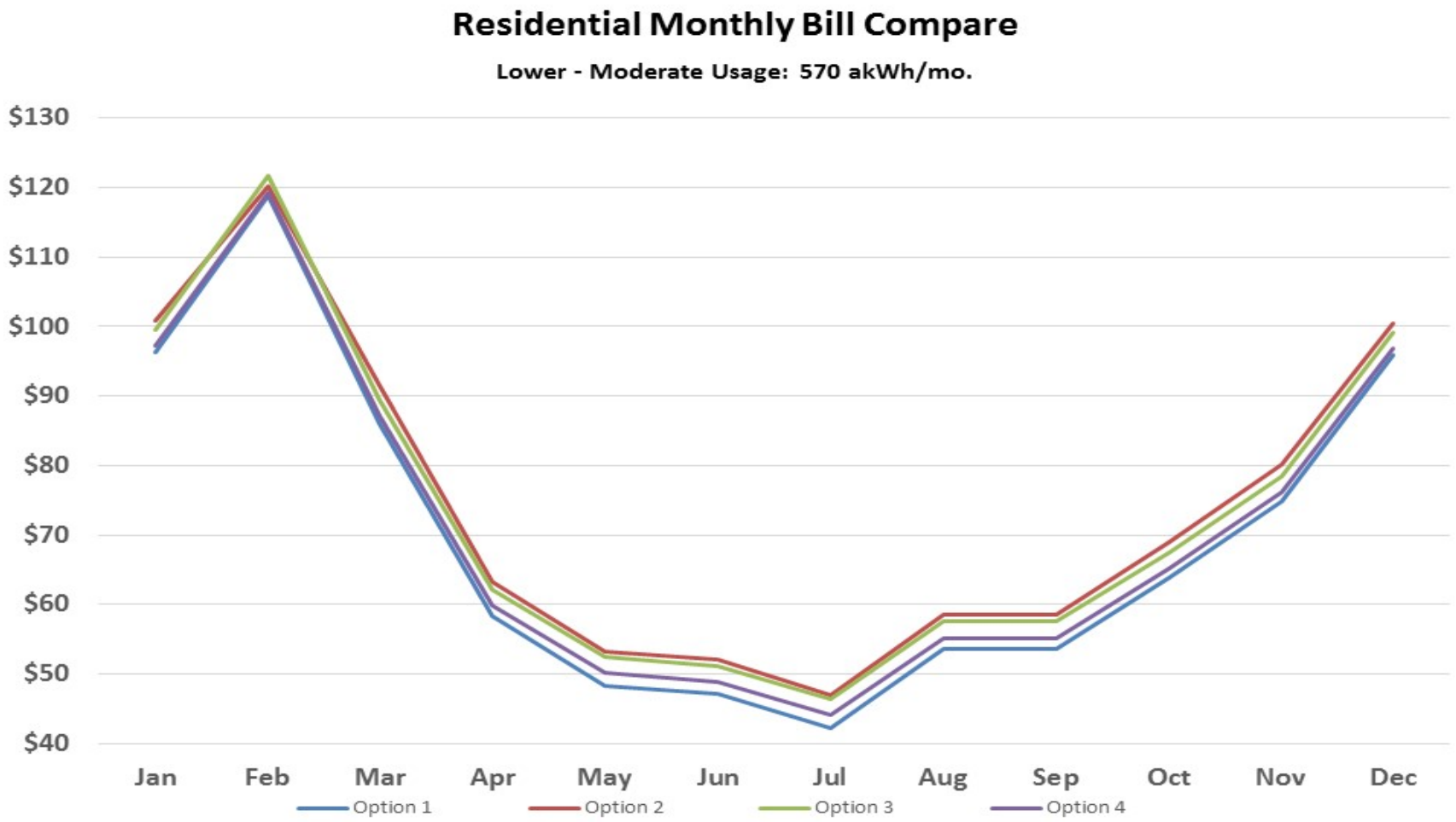
	Existing Prices	Proposed Prices	Percent Difference
Basic Charge:	$20.00	$25.00	25.0%
Delivery Charge:	$0.02560	$0.02330	-9.0%
Energy Charge:			
SUMMER			
First 800 kWh	$0.05803	$0.05803	0.0%
Over 800 kWh	$0.07254	$0.07254	0.0%
WINTER			
First 800 kWh	$0.05803	$0.05803	0.0%
Over 800 kWh	$0.07254	$0.07254	0.0%

Residential Service
Existing vs. Proposed Prices
Option 4

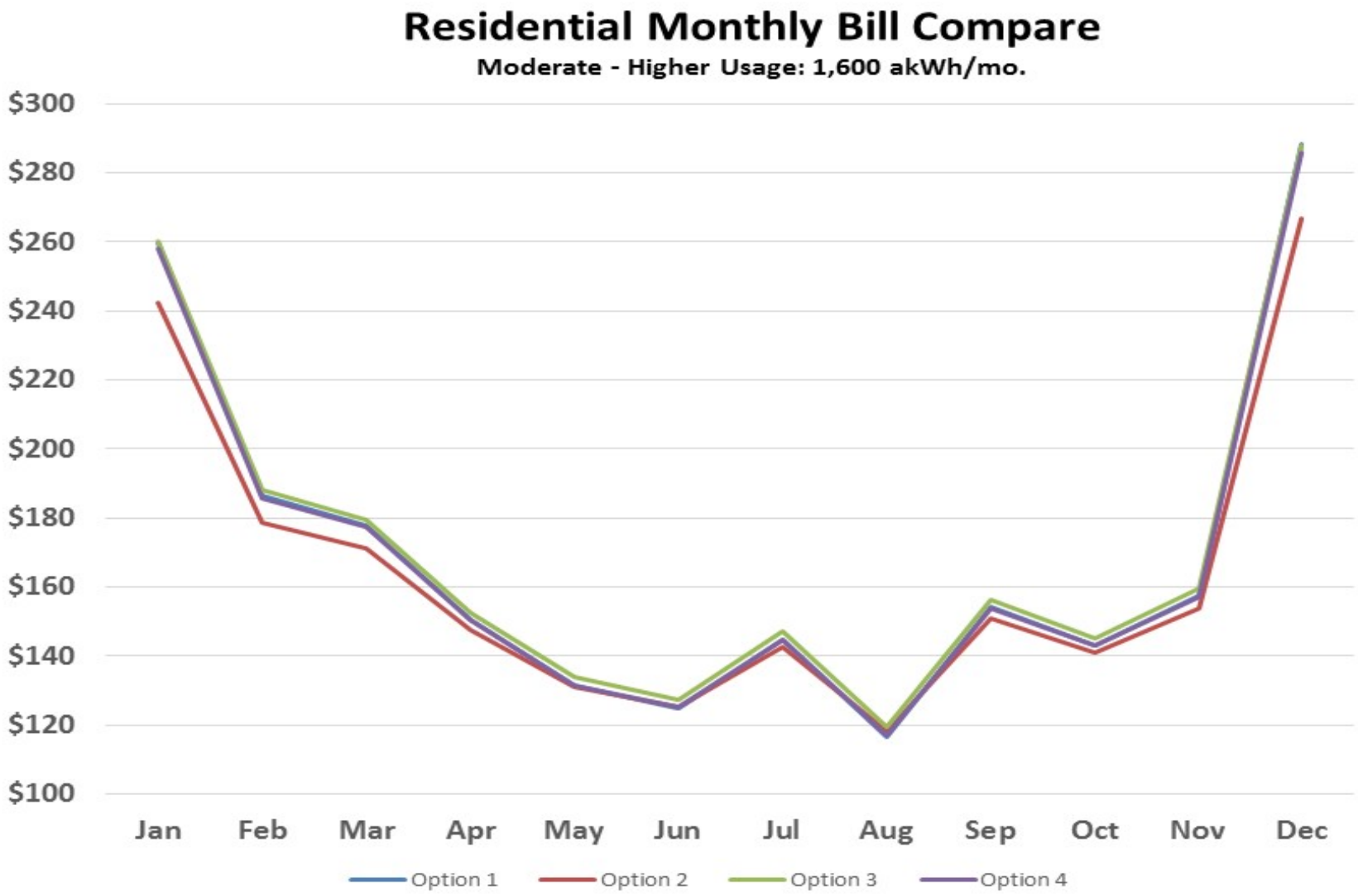
	Existing Prices	Proposed Prices	Percent Difference
Basic Charge:	$20.00	$22.70	13.5%
Delivery Charge:	$0.02560	$0.02560	0.0%
Energy Charge:			
SUMMER			
First 800 kWh	$0.05803	$0.05803	0.0%
Over 800 kWh	$0.07254	$0.07254	0.0%
WINTER			
First 800 kWh	$0.05803	$0.05803	0.0%
Over 800 kWh	$0.07254	$0.07254	0.0%

Attachment 4

Electric Price Option Monthly Bill Comparisons



Option	Current	Option 1	Option 2	Option 3	Option 4
Basic Charge	$20.00	$20.50	$25.00	$25.00	$22.70
Average Bill	68.19	69.90	74.57	73.56	71.26
% Consumption Cost	70.7%	70.7%	66.5%	66.0%	68.1%



Option	Current	Option 1	Option 2	Option 3	Option 4
Basic Charge	$20.00	$20.50	$25.00	$25.00	$22.70
Average Bill	165.42	169.55	164.14	166.74	168.12
% Consumption Cost	87.9%	87.9%	84.8%	85.0%	86.5%

Attachment 5
Water Utility
Existing vs. Proposed Prices
Water Prices Comparison

	Existing Prices		Proposed Prices	
Residential Customers				
Basic Charge				
5/8"	$19.20	/month	$20.37	/month
3/4"	$19.98		$21.20	
1"	$25.92		$27.50	
1-1/2"	$39.66		$42.08	
2"	$71.06		$75.39	
Volume Charge				
First 8,000 gallons	$1.60	/Kgal	$1.60	/Kgal
Next 22,000 gallons	$2.70		$2.70	
Over 30,000 gallons	$4.38		$4.38	
General Service Customers				
Basic Charge				
5/8"	$19.49	/month	$22.10	/month
3/4"	$20.28		$23.00	
1"	$26.31		$29.84	
1 - 1/2"	$40.24		$45.63	
2"	$72.11		$81.77	
3"	$162.45		$184.22	
4"	$277.37		$314.54	
6"	$416.20		$471.97	
8"	$602.46		$683.19	
10"	$850.89		$964.91	
Volume Charge				
All KGAL (1,000 gallons)	$2.75	/Kgal	$2.75	/Kgal

Eugene Water & Electric Board

2016 Proposed BUDGET

December 1, 2015

Eugene Water & Electric Board

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Board of Commissioners

	Ward	Term ends December 31,
Steve Mital, President	1 & 8	2016
John Simpson, Vice President	At Large	2018
Dick Helgeson	2 & 3	2016
James Manning	6 & 7	2016
John Brown	4 & 5	2018

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Board of Commissioners,

Update to the Proposed Budget Letter to the Commissioners

Subsequent to the November budget and prices public hearing, the following changes were made to the proposed budget. To offset a potential increase to the electric basic charge, an additional $85,000 has been added to the budget for customer care. The Electric Utility also added $141,000 in expense for previously issued bond costs to align with accounting requirements. An additional $56,000 of miscellaneous revenue and offsetting expenses were added and split between the Water and Electric Utilities, resulting in no net change. Finally, across both utilities, approximately $600,000 in labor costs were shifted between functional classifications to align with projected expenses.

These changes result in a combined total budget of $312.8 million for both Utilities.

Proposed budget Letter to the Commissioners

The 2016 Eugene Water & Electric Board Operations & Maintenance (O&M) and Capital proposed budgets totaling $273.2 million for the Electric Utility and $39.6 million for the Water Utility are submitted for your consideration and approval. The combined total for both Utilities is $312.8 million which is 5.4% lower than 2015. The primary reason for the decrease was that in 2015 the Electric Utility used designated funds to pay off the $28.8 million Harvest Wind note payable. Adjusting for the use of debt service reserves results in a combined Utility budget that is 3.6% higher than 2015. That increase is primarily due to purchased power costs. In particular, purchased power costs from Bonneville Power Administration (BPA) have already increased in October by about 7%. In addition, there is an increase in capital projects funded with previously issued bonds, capital reserves and customer contributions. Included in the budgets are O&M expenses, plant additions, debt service and contributions in lieu of taxes to local governmental agencies.

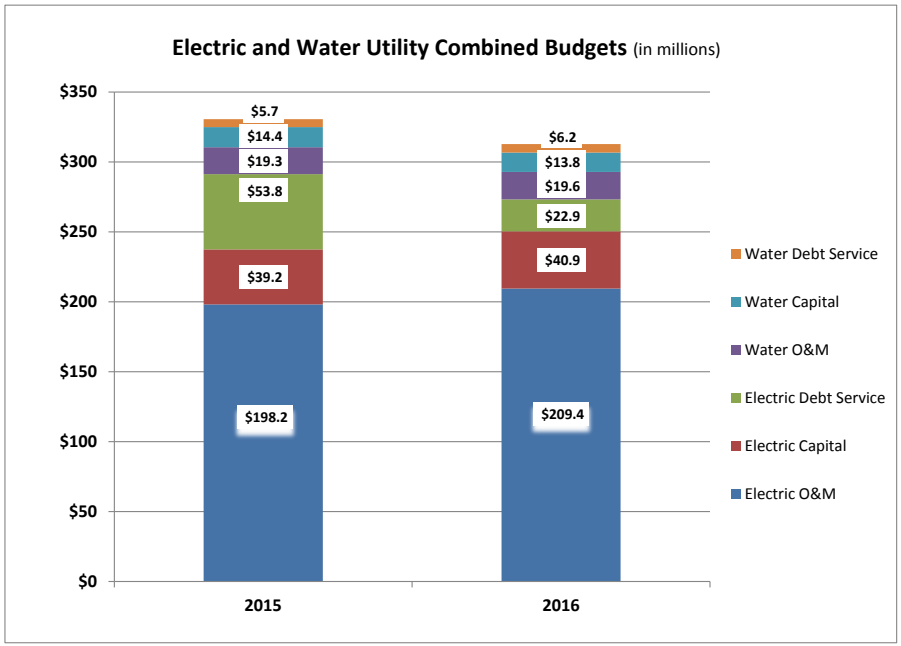
During the spring and summer of 2015, management identified more than $2.8 million in O & M expenditure reductions. As a result of the work performed by the Board, management and staff, both Utilities' long term financial plans demonstrate increased financial stability and a more solid financial outlook. The proposed budgets include critical infrastructure rehabilitation projects and high priority technology projects that are designed to enhance our customers' ability to make informed choices.

After including those high priority items, revenue requirements for the Electric Utility result in an overall average price (or revenue requirements) change of 2.5% for our customers. Had the BPA increases simply been passed through, the estimated average price increase would have been about 3%. By working on productivity and prioritizing budgets, EWEB was able to offset part of the BPA increase. Additionally, the Electric Utility's long term financial plan indicates that future revenue requirements should provide for average price changes which would allow the Utility's average residential bill to be in the middle of regional comparators. Specific price components are being incrementally redesigned so that more of the Utility's fixed costs are covered by non-volumetric revenues, further enhancing financial stability. Price redesign is critical for many reasons such as improving revenue stability and increasing customer bill predictability. Proper price design also ensures fairness and equity among customers as usage patterns change. When customer usage patterns were more uniform, price design updates were not as necessary. The historical emphasis was on simplicity. However, as usage patterns continue to change, price design updates are necessary to avoid cross-subsidies among customers. When fixed costs, that do not vary based on consumption, are loaded in to volumetric charges, a large subsidy can occur. Higher usage customers subsidize lower usage customers. For this reason, management

continues to recommend that EWEB continue on its course of fixing this issue.

The Water Utility revenue requirements result in an overall average price change of 3.6%. In 2013, a smoothing methodology for future Water prices was adopted to avoid price spikes when the Water Utility incurs significant expenses to secure an alternate water supply. EWEB is the largest municipality in Oregon without a diverse water supply, and the ten-year capital improvement plan includes approximately $67 million to eliminate that risk. Utilizing the price smoothing technique, the Water Utility's ten year long-term financial plan indicates revenue requirements that result in a 3.6% overall average price change over the plan's horizon. Even with these changes, the Water Utility's average customer bill is projected to remain below the regional average.

The following chart depicts the combined Electric and Water budgets for 2015 and 2016.



The local economy is showing signs of improvement. A projected 1% electric load increase for residential and general service customers is offset by an extended outage of a large usage customer. EWEB's *Integrated Electric Resource Plan* approved by the Board in 2011 calls for future load growth to be offset by conservation measures which were determined to be the most cost effective and least risky way to meet future electricity load requirements. Accordingly, the Utility does not anticipate significant residential load growth in the future.

The Water Utility's consumption is budgeted at the same level as the 2015 budget. Although improved, consumption has not entirely rebounded since the loss of a major customer several years ago. Budgeted consumption remains approximately 20% lower than the 2008 budgeted levels. Price redesign to increase fixed cost recovery efforts helps shelter the Utility from revenue losses in low consumption years.

The Electric and Water Utilities' financial challenges are very different. Prior to 2015, four years of average or higher than average hydro generation allowed the Electric Utility to accumulate reserves in excess of Board targets. In 2015, an unusually warm winter will likely result in a draw on those reserves. Increased debt costs for rehabilitation and expansion of infrastructure, as well as renewable power investments, have made achieving debt service coverage targets for the Electric Utility difficult. The Water Utility does not have a large debt burden, but since sales have not rebounded, reserves for the last several years have been below Board targets. With the actions taken by the Board to increase financial stability and consumption increasing the last two years, Water Utility reserves are now at Board targets. Both Utilities' challenges have been managed by strategically reducing operations & maintenance and capital costs, designing price structures that increase fixed cost recovery, asset sales, and/or prudently using reserves to strengthen financial metrics.

In an effort to ensure that EWEB's constrained resources are used in alignment with Board and customer priorities and EWEB's overarching strategy "*To Deliver Value for Generations,*" management used a priority based budgeting (PBB) approach to develop the 2016 budget and identify areas for savings and additions that support EWEB's strategic goals and mission.

EWEB continues to be a strong community partner as evidenced by its Community Care Program that was created in response to the economic crisis and provides bill payment assistance for limited income customers. The budget includes $1.5 million for this program. Additionally, EWEB provides over $500,000 in grants to local schools.

As EWEB considers multiple strategies to reduce costs and debt, the utility must balance the reliability of its electric and water systems with reasonable risk.

Electric Utility

Overview

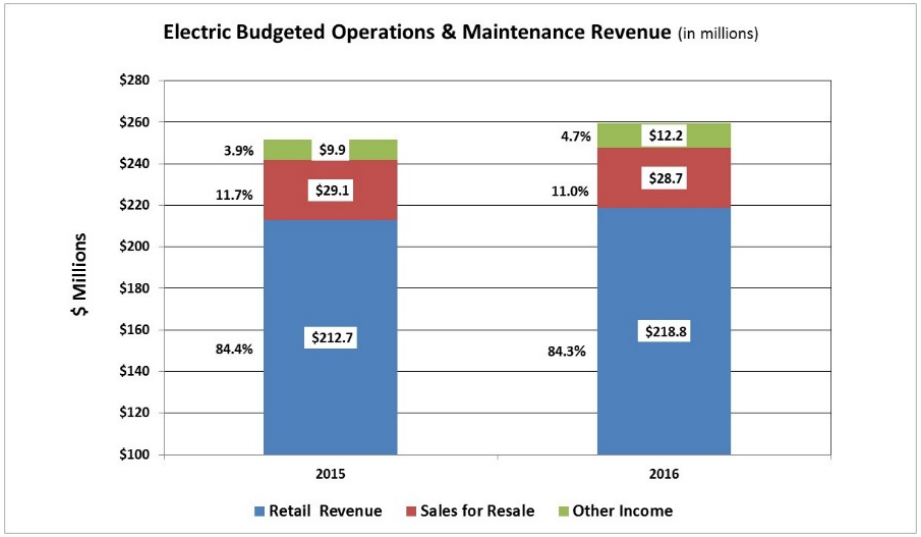
The Electric Utility has surplus power which is sold to other utilities. A continuation of depressed prices for the sale of surplus power has resulted in historically low wholesale revenues. Budgeted wholesale revenue in 2016 is only about 30% of the 2008 actual. This, combined with flat customer demand, requires that the Utility's fixed costs be spread over a smaller base. Additionally, EWEB has invested in renewable power (wind, biomass) which is more expensive than the historical hydro generation. Those investments and the bonds issued for infrastructure rehabilitation and replacements have increased debt service payments and put pressure on debt service coverage metrics. To ease that pressure, the Board authorized using reserves in 2015 to pay off debt.

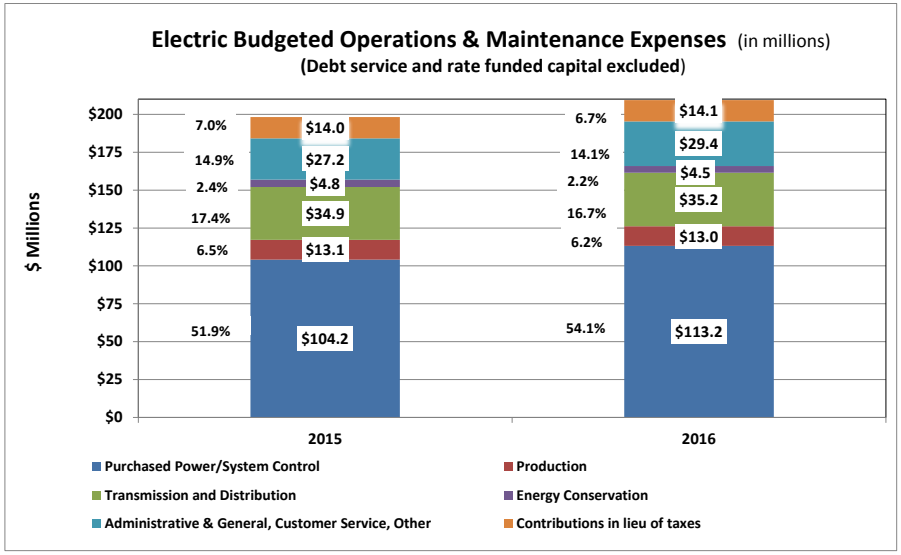
Operations & Maintenance Budget

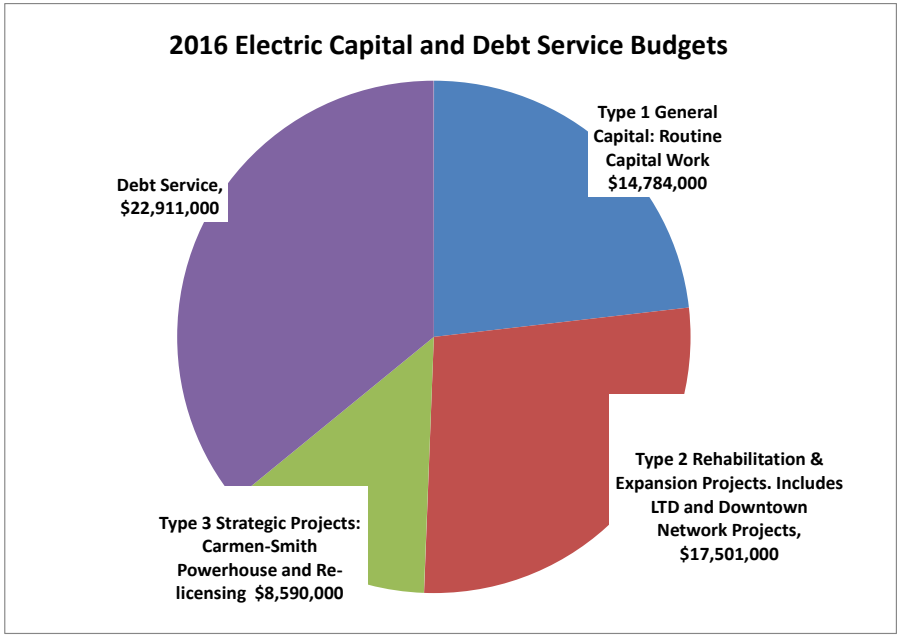
The 2016 Electric O&M budget is $209.4 million compared to $198.2 million in 2015. The increase reflects higher purchased power costs with the Bonneville Power Administration rate increase and inclusion of WGA power output. Excluding purchased power costs, the 2016 proposed budget is 2.3% higher than the 2015 budget. The budget assumes a risk tolerance of $3.6 million which represents revenue from hydro generation at 90% of historical average or 97% of budgeted retail load, and relatively flat retail consumption of 2.5 million MWh. Retail sales are up $6.5 million due to the combined effect of a 2.5% price increase and impact of residential class customer growth. Other Operating revenues are up due to account reclassifications among Sales for Resale and Other revenue.

The budget includes an $8.7 million deposit to operating reserves which will allow the Board to make strategic decisions regarding the use of those reserves and further strengthen the Utility's financial position.

The following charts compare the 2016 and 2015 O&M revenue and expense budgets:







Capital and Debt Service Budgets

The Electric Capital budget of $40.9 million is $1.7 million higher than 2015 and includes aging infrastructure replacement at the Carmen-Smith dam powerhouse, other generation facilities, and the downtown network; new Information Technology projects; and a higher level of work on the Lane Transit District (LTD) project. The work to replace aging infrastructure is an effort to maintain, but not improve, reliability. The Carmen-Smith and downtown network projects are funded with previously issued bond proceeds, while the LTD project will be reimbursed by LTD. Approximately $19 million of capital work will be funded with electric rates.

The debt service budget decreased by $31 million from 2015 with the payoff of Harvest Wind debt as the Board continues its effort to improve the Electric Utility's financial stability. Additional detail on the capital budget is included in Attachment 1.

Water Utility

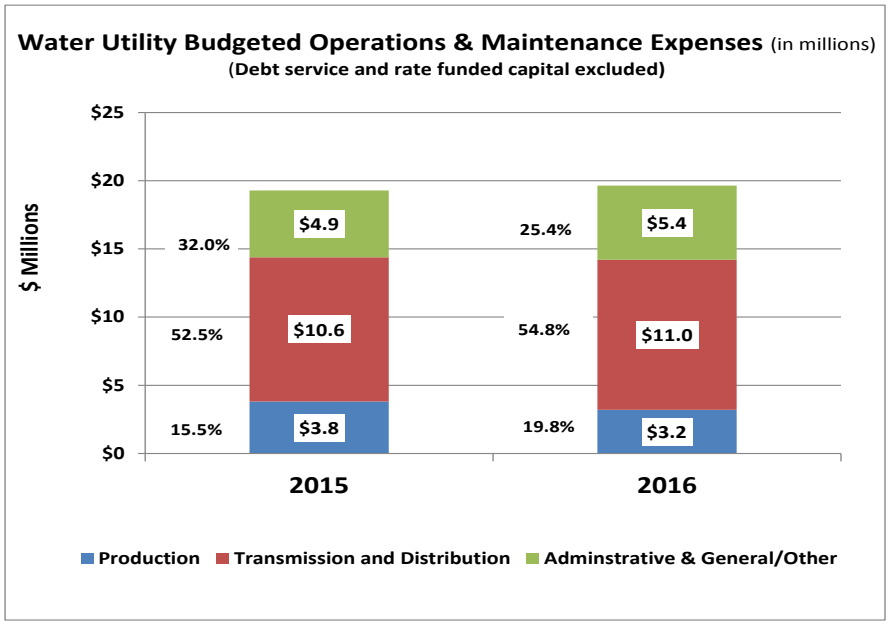
Overview

Like many Northwest water utilities, EWEB has experienced declining demand at a time when aging infrastructure needs replacement in order to reliably deliver safe water to customers. The extensive capital required to operate a large filtration plant and maintain about 800 miles of distribution pipes comes with high fixed costs. Fixed costs typically comprise 80-95% of a water utility's expenses. In an effort to increase the Water Utility's financial stability, over the last several years the Board has approved a price design that increased the basic charge at a higher level than volumetric charges. The 2016 price change continues that strategy with almost all of the additional revenue requirements being added to monthly charges.

Operations & Maintenance Budget

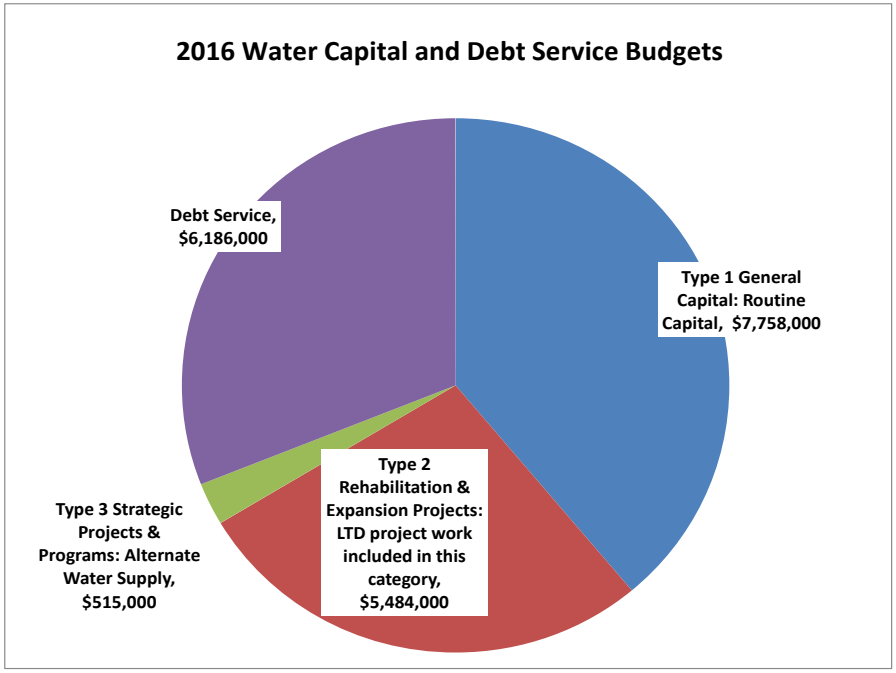
The 2016 Water Utility O&M budget is $19.6 million compared to $19.3 million in 2015. Changes in account structure and cost mapping, including certain wages and benefits, have resulted in categories that are not directly comparable to 2015 budget or 2014 actuals. The budget assumes sales of approximately 7.6 million kgals which is the same as the 2015 budget and approximately 600,000 kgals lower than 2014 actual consumption. Over 95% of Water Utility revenues are derived from sales to customers. To meet the Water Utility revenue requirements, the budget includes an overall average price increase of 3.6% which would be effective on bills rendered beginning February 2016. This increase represents slightly more than $1 per month for the average residential customer.

The budget results in a $1 million reserves deposit to the alternate water supply fund created by the Board in 2013. The following chart compares the 2016 and 2015 operations and maintenance expense budgets:



Capital and Debt Service Budgets

The $13.8 million Water Utility Capital budget is $600,000 lower than 2015, primarily due to the projected completion of work on the reimbursable LTD project. This reduction was partially offset by the shift of service replacement work from O&M to Capital. Depending on the type of project, funding is through water retail prices, customer contributions, or bonds. Significant projects include service and distribution main work and filter upgrades at Hayden Bridge. The debt service budget is approximately $400,000 higher than 2015 due to the anticipated 2016 bond issuance.



Electric and Water Impacts to Residential Customers

The following chart shows the approximate monthly residential bill change as a result of the price increase and design changes used in developing the 2016 budget:

2016 Proposed price actions Residential	Typical lower-moderate average monthly consumption of 570 kWh electricity and 3 kgal water	Typical moderate-higher average monthly consumption of 1,600 kWh electricity and 9 kgal water
Electric : 2.5% February increase	$2.70	$2.70
Water : 3.6% February increase	$1.17	$1.17
Total average monthly increase/(decrease)	$3.87	$3.87

If the Board were to choose Option 1 for the Electric Price Design the monthly difference would be:

570 kWh: $1.71 1,600 kWh: $4.13

The 2016 budgets and price design changes position both the Electric and Water Utilities to continue their path towards financial stability and to rise to the challenge of our customers' expectations and EWEB's long term strategic goals. We must continue to look for, and find, efficiencies as we adapt to the constantly changing and uncertain environment we operate in. Our success in delivering value for generations will depend on continuing to engage the community, Board, and staff in charting our future course. I want to thank EWEB management and staff, Commissioners and the community for their assistance in helping EWEB achieve its mission "To be an outstanding provider of energy and water products that meet customer needs and benefit the citizens of Eugene".

I recommend the adoption of the 2016 Electric and Water Utility budgets presented in Attachment 1.

Respectfully submitted,

Roger Gray, General Manager

Attachment 1

2016 Proposed Budgets

EUGENE WATER & ELECTRIC BOARD

ELECTRIC UTILITY OPERATIONS & MAINTENANCE BUDGET AND REVENUE REQUIREMENTS

2016 BUDGET COMPARED WITH 2015 BUDGET AND 2014 ACTUAL

	2016 Budget		2015 Budget		2014 Actual	
	MWH	REVENUE	MWH	REVENUE	MWH	REVENUE
Residential	974,547	$ 109,467,000	978,041	$ 108,033,000	919,175	$ 94,554,000
Commercial	888,963	79,232,000	869,817	59,103,000	863,657	69,963,000
Industrial	544,104	30,141,000	562,629	45,579,000	557,493	27,768,000
Retail sales	2,407,613	218,840,000	2,410,487	212,715,000	2,340,325	192,285,000
Wholesale sales [1]	1,247,941	28,654,000	914,758	29,064,000	846,238	57,730,000
Other Operating Revenues		6,924,000 [2]		-		7,155,000
Operating revenues	3,655,554	254,418,000	3,325,245	241,779,000	3,186,563	257,170,000
Other revenue		3,335,000 [3]		7,963,000		7,252,000
Interest earnings		1,959,000		1,964,000		2,344,000
Non-operating revenues		5,294,000		9,927,000		9,596,000
Total revenues		259,712,000		251,706,000		266,766,000
Purchased Power [1]		106,407,000		96,894,000		115,016,000
System control		6,830,000		7,259,000		6,828,000
Generation		12,973,000		13,071,000		12,180,000
Wheeling		12,762,000		11,955,000		12,866,000
Transmission & distribution		22,449,000		22,936,000		20,925,000
Customer accounting		9,332,000		9,118,000		9,285,000
Energy conservation		4,513,000		4,842,000		3,767,000
Administrative & general		19,968,000		20,752,000		22,381,000
Operating expenses		195,234,000		186,827,000		203,248,000
Contributions in lieu of taxes		14,118,000		13,978,000		- [4]
Change in balance sheet accounts/ other expenses		91,000		(2,632,000)		4,851,000
Non-operating expenses		14,209,000		11,346,000		4,851,000
Total operations and maintenance expenses		209,443,000		198,173,000		208,099,000
Rate funded capital		18,665,000		19,334,000		-
Rate funded debt service		22,911,000		53,844,000		25,039,000
Total rate funded capital related expenses		41,576,000		73,178,000		25,039,000
Total rate funded expenses		251,019,000		271,351,000		233,138,000
Revenues over/(under) expenses		$ 8,693,000		$ (19,645,000)		
Deposit to (Draw on) Reserves:						
Harvest Wind Designated Fund		-		(28,752,000)		
Operating reserves		8,693,000		9,107,000		
Net change in reserves		$ 8,693,000		$ (19,645,000)		
				Net Revenue available for capital and reserves		$ 33,628,000

[1] Gross wholesale sales and purchased power. Does not include netting of sales and purchases where power was "net scheduled."

[2] Included in 2015 Wholesale Revenue and Other Revenue.

[3] There was a reclassification of Other Revenues.

4 2014 CILT included as contra revenue in revenue section.

Dollars rounded to the nearest thousand.

EUGENE WATER & ELECTRIC BOARD
ELECTRIC UTILITY CAPITAL AND DEBT SERVICE BUDGET
2016 BUDGET COMPARED WITH 2015 BUDGET

	2016 Budget	2015 Budget
Funding Source by Type		
Source of Funds		
Retail Revenue	$ 18,665,000	$ 19,240,000
Draw on Capital Reserves	1,250,000	-
Bond Proceeds	12,590,000	11,940,000
Customer Contributions in Aid	8,304,000	7,914,000
Interest Earnings on Reserve Fund	66,000	94,000
Total Source of Funds	40,875,000	39,188,000
Expenditures by Type		
Type 1- General Capital [1]		
Electric Infrastructure- Generation	1,916,000	1,595,000
Electric Infrastructure- Substations & Telecom	1,650,000	2,005,000
Electric Infrastructure- Transmission & Distribution	8,350,000	8,145,000
General Plant- Information Technology	1,130,000	1,797,000
General Plant- Buildings & Land	511,000	685,000
General Plant- Fleet	1,227,000	1,200,000
Total Type 1	14,784,000	15,427,000
Type 2- Rehabilitation & Expansion Projects [2]		
Downtown Network	4,000,000	4,000,000
LTD EmX Project	4,354,000	5,477,000
Generation		200,000
Upriver Re-Configuration/ Holden Creek Substation	3,000,000	1,500,000
Information Technology (CIS, AMI)	4,577,000	4,644,000
Leaburg Roll Gate	1,570,000	-
Total Type 2	17,501,000	15,821,000
Type 3- Strategic Projects & Programs [3]		
Carmen Smith Relicensing	8,590,000	7,940,000
Total Type 3	8,590,000	7,940,000
Total Electric Capital Budget	40,875,000	39,188,000
Rate Funded Debt Service	22,911,000	53,844,000
Total Electric Capital and Debt Service Budget	$ 63,786,000	$ 93,032,000

[1] Type 1 capital is routine capital work for projects totaling less than $1 million and is funded with rates and customer contributions.

[2] Type 2 capital projects are discrete, with a defined completion period, and lifetime expenditures over $1 million. Depending on the project, this work may be funded with rates, customer contributions, or bond funds.

[3] Type 3 capital projects are large strategic programs with long-term impacts, and are generally bond funded.

Dollars rounded to the nearest thousand.

EUGENE WATER & ELECTRIC BOARD

WATER UTILITY OPERATIONS & MAINTENANCE BUDGET AND REVENUE REQUIREMENTS

2016 BUDGET COMPARED WITH 2015 BUDGET AND 2014 ACTUAL

	2016 Budget		2015 Budget		2014 Actual	
	Gal (000)	REVENUE	Gal (000)	REVENUE	Gal (000)	REVENUE
Residential	3,808,000	$ 20,219,000	3,808,000	$ 19,074,000	3,972,000	$ 18,710,000
Commercial	3,096,000	12,509,000	3,096,000	12,341,000	3,388,000	15,217,000
Sales for Resale and Other	704,000	2,846,000	704,000	2,721,000	875,000	1,139,000
Operating revenues	7,608,000	35,574,000	7,608,000	34,136,000	8,235,000	35,066,000
Other revenue		1,260,000		1,040,000		823,000
Interest income		100,000		106,000		-
Non-operating revenues		1,360,000		1,146,000		823,000
Total revenues		36,934,000		35,282,000		35,889,000
Production		3,210,000		3,812,000		4,630,000
Transmission & distribution		10,990,000		10,575,000		5,957,000
Customer accounting		2,019,000		1,868,000		1,340,000
Conservation		316,000		199,000		151,000
Administrative & general		3,352,000		3,102,000		3,948,000
Operating expenses		19,887,000		19,556,000		16,026,000
Change in balance sheet accounts		(241,000)		(273,000)		
Total operations and maintenance expenses		19,646,000		19,283,000		
Rate funded capital		10,102,000		8,155,000		
Rate funded debt service		6,186,000		5,737,000		4,799,000
Total rate funded capital related expenses		16,288,000		13,892,000		
Total rate funded expenses		35,934,000		33,175,000		
Revenues over expenses		$ 1,000,000		$ 2,107,000		
Deposit to Alternative Water Supply Fund		$ 1,000,000		$ 1,000,000		
Deposit to Working Cash/Reserves		-		1,107,000		
Net change in reserves		$ 1,000,000		$ 2,107,000		
Net revenue available for capital, working cash and reserves						$ 15,064,000

Dollars rounded to nearest thousand.

EUGENE WATER & ELECTRIC BOARD
WATER UTILITY CAPITAL AND DEBT SERVICE BUDGET
2016 BUDGET COMPARED WITH 2015 BUDGET

	2016 Budget	2015 Budget
Funding Source by Type		
Source of Funds		
Retail Revenue	$ 10,102,000	$ 8,155,000
Bond Proceeds	2,110,000	1,968,000
Customer Contributions in Aid	1,133,000	3,824,000
System Development Charges	412,000	464,000
Total Source of Funds	13,757,000	14,411,000
Expenditures by Type		
Type 1 - General Capital [1]		
Source - Water Intakes & Filtration Plant	412,000	292,000
Distribution & Pipe Services	6,078,000	4,691,000
Distribution Facilities	525,000	376,000
Information Technology	199,000	335,000
Buildings, Land & Fleet	544,000	527,000
Total Type 1	7,758,000	6,221,000
Type 2- Rehabilitation & Expansion Projects [2]		
Source - Water Intakes & Filtration Plant	2,987,000	2,419,000
Distribution & Pipe Services	-	3,103,000
Distribution Facilities	1,597,000	1,802,000
Information Technology	900,000	814,000
Total Type 2	5,484,000	8,138,000
Type 3- Strategic Projects & Programs [3]		
Alternative Water Supply	515,000	52,000
Total Type 3	515,000	52,000
Total Water Capital Budget	13,757,000	14,411,000
Rate Funded Debt Service	6,186,000	5,737,000
Total Water Capital and Debt Service Budget	$ 19,943,000	$ 20,148,000

[1] Type 1 capital is routine capital work for projects totaling less than $1 million and is funded with rates and customer contributions.

[2] Type 2 capital projects are discrete, with a defined completion period, and lifetime expenditures over $1 million. Depending on the project, this work may be funded with rates, customer contributions, or bond funds.

[3] Type 3 capital projects are large strategic programs with long-term impacts, and are generally bond funded.

Dollars rounded to nearest thousand.

Attachment 2

Department Operations & Maintenance 2016 Budget Compared to Prior Years

Eugene Water and Electric Board - 2016 Operations and Maintenance Budget

Summary By Division

Description	2016 Proposed Budget		2015 Approved Budget		2014 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Building Operations and Physical Security [1]	17.00	$ 4,185,688	9.00	$ 3,635,391	9.00	$ 3,004,619
Customer Service	76.85	11,711,340	76.85	11,355,772	73.35	10,129,338
Electric Transmission & Distribution Operations	89.00	17,092,547	89.50	17,474,861	90.00	16,525,838
Energy Management Services	14.00	4,253,013	14.00	4,650,670	14.00	3,233,186
Engineering	61.75	8,159,068	58.65	10,972,801	57.65	9,874,191
Environmental Management	15.00	3,993,106	15.00	3,606,906	15.00	2,858,805
Finance	33.73	5,502,035	33.73	6,749,965	35.15	6,746,092
Fleet Services [2]	10.00	2,747,476	10.00	2,921,427	10.00	2,610,425
General Manager	3.00	774,073	3.00	763,227	4.00	984,684
Generation	18.00	9,189,701	19.00	6,340,844	20.50	5,972,337
Governance, Risk, and Compliance [3]	8.00	2,283,938	0.00	-	0.00	-
Human Resources	13.00	2,596,844	12.00	2,454,912	12.50	24,243,699
Information Services	58.00	11,061,352	69.00	12,104,904	68.00	9,950,967
Power Resources and Strategic Planning	9.00	2,478,759	12.00	2,823,719	12.00	2,623,627
Public Affairs	10.10	2,708,896	9.60	2,670,540	10.00	2,139,760
Trading and Power Operations [4]	15.00	139,789,847	15.00	130,069,609	15.00	157,363,712
Water Operations	77.53	12,327,295	77.05	12,208,671	76.25	10,368,724
	528.96	**$ 240,854,978**	**523.38**	**$ 230,804,219**	**522.40**	**$ 268,630,002**

*FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.

[1] Functional area part of Electric division. Physical Security transferred from Information Services in September 2015.

[2] Functional area is part of the Generation division.

[3] New Department in 2016.

[4] Trading and Power Operations includes certain costs for trading activity netted against trading revenues of the Electric Utility Operations & Maintenance budget in Attachment 1.

Note: Excludes organization- wide expenses. Also, due to account structure mapping, 2015 may not be directly comparable to the 2016 budget document.

Building Operations and Physical Security

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget			2015 Approved Budget		2014 Actual	
		FTE*	Dollars		FTE*	Dollars	FTE*	Dollars
Wages / Benefits								
	Wages / Benefits	17	$1,529,774	[1]	9	$947,453	9	$833,214
Purchases								
	Stores Materials and Supplies		$3,000			$2,000		$1,202
	EWEB Equipment		$118,182			$127,938		$129,760
	Landscaping and Buildings		$42,000			$131,000		$96,039
	Equipment		$2,000			$2,000		$11,636
	Energy		$700,000	[2]		$460,000		$430,384
	Water		$190,000	[2]		$400,000		$331,095
	Fuels		$120,000			$180,000		$119,081
	Materials and Supplies		$127,000			$66,000		$89,523
	Technology / Office Equipment		$54,000			$10,000		$14,045
Services								
	Contract Labor		$60,000			$0		$22,250
	Construction Agreements		$1,088,232			$1,043,000		$694,132
	Miscellaneous Services		$12,750			$8,000		$16,875
	Management Consultants		$120,000			$236,000		$199,549
	Software/Hardware Maintenance and Services		$0			$5,000		$0
	Property Rent		$2,500			$0		$295
	Printing and Postage		$250			$0		$24
	Fees and Licenses		$6,000			$5,000		$3,103
	Training and Travel		$10,000			$12,000		$12,412
Total			**$4,185,688**			**$3,635,391**		**$3,004,618**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

[1] Physical security transferred from Information Services Division to Building Operations due to re-organization.

[2] Reflects accounting reallocation of Roosevelt Operations Center energy usage from water to electric.

Customer Service

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget		2015 Approved Budget		2014 Actual	
		FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	76.85	$7,163,710	76.85	$6,909,812	73.35	$5,956,297
Purchases							
	Stores Materials and Supplies		$28,500		$18,500		$37,146
	Equipment		$178,236		$195,568		$192,080
	EWEB Equipment		$0		$0		$4,642
	Landscaping and Buildings		$5,000		$0		$0
	Equipment		$0		$500		$0
	Materials and Supplies		$69,908		$91,453		$70,444
	Technology / Office Equipment		$45,900		$40,900		$39,641
Services							
	Contract Labor		$80,550		$89,050		$118,440
	Construction Agreements		$1,000		$1,100		$719
	Miscellaneous Services		$39,500		$36,061		$38,528
	Management Consultants		$1,622,423 [1]		$1,567,209		$1,183,226
	Software/Hardware Maintenance and Services		$291,003		$296,100		$300,213
	Legal Services		$13,639		$11,800		$28,466
	Printing and Postage		$327,051		$334,249		$298,012
	Fees and Licenses		$2,600		$100		$11,278
	Training and Travel		$52,280		$58,330		$53,315
	Grants		$0		$0		$5,000
	Uncollectable Accounts		$800,000		$800,000		$648,194
	Low Income Services		$990,040 [2]		$905,040		$1,143,698
Total			**$11,711,340**		**$11,355,772**		**$10,129,338**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

[1] Increase due to system upgrade & replacement projects.

[2] Total resources available for low income assistance $1.5 million.

Electric Transmission & Distribution Operations

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget		2015 Approved Budget		2014 Actual	
		FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	89	$11,295,292 [1]	89.5	$11,686,417	90	$10,687,308
Purchases							
	Stores Materials and Supplies		$340,910		$413,800		$512,306
	EWEB Equipment		$1,315,163		$1,188,336		$1,140,257
	Landscaping and Buildings		$15,752		$10,752		$14,985
	Equipment		$46,650		$29,120		$141,731
	Energy		$0		$0		$1,847
	Water		$43,799		$19,799		$28,450
	Fuels		$0		$0		$10,967
	Vehicle Fuel and Oil		$500		$0		$207
	Materials and Supplies		$403,811		$504,983		$381,599
	Technology / Office Equipment		$68,097		$47,047		$73,806
Services							
	Contract Labor		$2,885,169 [2]		$65,100		$696,622
	Construction Agreements		$229,420		$2,990,759		$2,301,203
	Miscellaneous Services		$66,358		$107,634		$156,921
	Management Consultants		$91,625		$165,770		$132,529
	Software/Hardware Maintenance and Services		$98,914		$104,164		$22,473
	Property Rent		$1,000		$25,000		$0
	Printing and Postage		$3,800		$2,000		$1,566
	Fees and Licenses		$690		$300		$1,691
	Training and Travel		$185,597		$113,880		$211,421
	Grants		$0		$0		$7,950
Total			**$17,092,547**		**$17,474,861**		**$16,525,838**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

[1] Decrease in 2016 O & M labor due to increased capital labor to support Downtown Network and Lane Transit District work.

[2] In 2016, Contract Labor reflects contracted tree trimming services which in previous years was budgeted in Construction Agreements.

Energy Management Services

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget		2015 Approved Budget		2014 Actual		
		FTE*	Dollars	FTE*	Dollars	FTE*	Dollars	
Wages / Benefits								
	Wages / Benefits	14	$1,784,349	14	$1,734,419	14	$1,605,282	
Purchases								
	Stores Materials and Supplies		$0		$0		$568	
	Equipment		$39,396		$44,905		$46,340	
	EWEB Equipment		$200		$200		$175	
	Equipment		$0		$0		$240	
	Energy		$0		$0		$6,832	
	Vehicle Fuel and Oil		$0		$0		$78	
	Materials and Supplies		$1,000		$10,650		$12,949	
	Technology / Office Equipment		$3,600		$4,100		$906	
Services								
	Contract Labor		$0		$26,000		$13,056	
	Conservation Measures and Incentives		$2,299,268		$2,674,296		$1,439,340	[1]
	Construction Agreements		$1,000		$0		$563	
	Miscellaneous Services		$7,900		$7,950		$15,103	
	Management Consultants		$56,500		$86,500		$50,075	
	Legal Services		$4,500		$4,000		$4,283	
	Printing and Postage		$600		$13,050		$1,741	
	Fees and Licenses		$5,700		$3,100		$5,675	
	Training and Travel		$29,000		$36,500		$28,333	
	Grants		$20,000		$5,000		$1,650	
Total			**$4,253,013**		**$4,650,670**		**$3,233,186**	

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

[1] In 2014, EMS Industrial charged to Engineering Division due to re-organization.
Additionally, Residential conservation budgeted for Housing and Community Services Agency of Lane County was not utilized.

Engineering

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget		2015 Approved Budget		2014 Actual	
		FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	61.75	$6,101,940	58.65	$5,664,873	57.65	$5,190,861
Purchases							
	Stores Materials and Supplies		$7,600		$2,200		$3,404
	EWEB Equipment		$83,664		$107,206		$92,550
	Landscaping and Buildings		$10,200		$0		$4,158
	Equipment		$27,600		$244,000		$38,277
	Energy		$3,600		$0		$5,090
	Vehicle Fuel and Oil		$0		$0		$2,871
	Materials and Supplies		$71,650		$166,260		$131,082
	Technology / Office Equipment		$58,200		$65,317		$43,214
Services							
	Contract Labor		$15,000		$26,000		$15,388
	Wheeling		$0		$0		$124,398
	Conservation Measures and Incentives		$0		$0		$362,213 [1]
	Construction Agreements		$72,000 [2]		$2,677,963		$2,037,911
	Miscellaneous Services		$303,560		$333,250		$228,277
	Management Consultants		$496,659		$611,533		$605,413
	Software/Hardware Maintenance and Services		$137,500		$66,254		$80,033
	Property Rent		$107,600 [2]		$220,100		$211,314
	Legal Services		$0		$5,000		$1,320
	Printing and Postage		$250		$100		$725
	Fees and Licenses		$484,950		$589,175		$545,350
	Training and Travel		$177,095		$193,570		$127,341
	Grants		$0		$0		$23,000
Total			**$8,159,068**		**$10,972,801**		**$9,874,191**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

[1] In 2015 and 2016, Conservation Measures and Incentives are budgeted in the Energy Management Services Division.

[2] 2016 decrease due to a transfer of expenses to the Generation Division and sale of Smith Creek.

Environmental Management

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget		2015 Approved Budget		2014 Actual	
		FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	15	$1,809,231	15	$1,917,258	15	$1,616,730
Purchases							
	Stores Materials and Supplies		$0		$0		$1,164
	EWEB Equipment		$35,058		$39,049		$36,060
	Landscaping and Buildings		$0		$12,500		$28,752
	Equipment		$0		$5,700		$24,727
	Fuels		$0		$0		$87
	Materials and Supplies		$63,622		$65,829		$13,202
	Technology / Office Equipment		$10,200		$10,900		$8,122
Services							
	Contract Labor		$7,000		$7,000		$50,937
	Construction Agreements		$897,800	[1]	$434,700		$425,658
	Miscellaneous Services		$10,020		$10,170		$35,031
	Management Consultants		$919,875	[1]	$829,875		$452,841
	Software/Hardware Maintenance and Services		$0		$0		$300
	Property Rent		$0		$0		($64,539)
	Legal Services		$105,000		$115,000		$12,368
	Printing and Postage		$0		$1,000		$553
	Fees and Licenses		$5,500		$32,000		$39,110
	Training and Travel		$54,500		$41,625		$24,898
	Grants		$75,300		$84,300		$152,806
Total			**$3,993,106**		**$3,606,906**		**$2,858,805**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

[1] Includes Riverfront property redevelopment costs. Additionally, this includes costs partially offset for Manufactured Coal Gas Plant remediation.

Finance

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget			2015 Approved Budget		2014 Actual	
		FTE*	Dollars		FTE*	Dollars	FTE*	Dollars
Wages / Benefits								
	Wages / Benefits	33.73	$4,500,849		33.73	$4,834,515	35.15	$4,042,859
Organization Wide Benefits								
	Organization Wide Benefits		$0			$0		$295,704
Purchases								
	Stores Materials and Supplies		$3,000			$2,800		$98,495
	EWEB Equipment		$22,712			$41,021		$35,541
	Landscaping and Buildings		$7,000			$0		$461
	Equipment		$0			$0		$497
	Energy		$0			$0		$50
	Water		$0			$0		$341
	Materials and Supplies		$68,000			$38,200		$45,776
	Technology / Office Equipment		$25,000			$14,100		$177,080
Services								
	Contract Labor		$34,000			$27,128		$70,564
	Construction Agreements		$0			$0		$63
	Miscellaneous Services		$44,700			$20,100		$43,295
	Management Consultants		$402,674			$386,425		$656,378
	Software/Hardware Maintenance and Services		$21,000	[1]		$388,606		$360,024
	Legal Services		$20,000	[1]		$171,167		$152,353
	Printing and Postage		$500			$0		$1,646
	Fees and Licenses		$296,100	[2]		$4,600		$5,156
	Insurance		$0	[1]		$730,896		$714,471
	Training and Travel		$56,500			$90,407		$45,338
Total			**$5,502,035**			**$6,749,965**		**$6,746,092**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.

Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

[1] For 2016, budget moved to Governance, Risk, and Compliance Division.

[2] Oregon Department of Energy Assessment. Transferred from Organization wide budget.

Fleet Services

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget		2015 Approved Budget		2014 Actual	
		FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	10	$1,307,876	10	$1,338,870	10	$1,106,231
Purchases							
	Stores Materials and Supplies		$4,000		$4,000		$4,050
	EWEB Equipment		$700,000		$700,000		$711,097
	Landscaping and Buildings		$2,000		$2,000		$749
	Equipment		$0		$0		$961
	Fuels		$0		$40,000		$33,557
	Vehicle Fuel and Oil		$504,000		$638,800		$567,076
	Materials and Supplies		$88,000		$59,857		$86,463
	Technology / Office Equipment		$6,500		$5,500		$618
Services							
	Contract Labor		$10,000		$10,000		$1,374
	Construction Agreements		$24,000		$32,200		$34,037
	Miscellaneous Services		$4,900		$4,900		$4,456
	Management Consultants		$71,000		$71,000		$37,359
	Software/Hardware Maintenance and Services		$3,700		$1,300		$8,975
	Printing and Postage		$1,000		$1,000		$364
	Fees and Licenses		$1,500		$2,000		$1,595
	Training and Travel		$19,000		$10,000		$11,462
Total			**$2,747,476**		**$2,921,427**		**$2,610,425**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

General Manager

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget		2015 Approved Budget		2014 Actual	
		FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	3	$597,457	3	$568,351	4	$857,429
Purchases							
	Stores Materials and Supplies		$0		$0		$147
	EWEB Equipment		$0		$2,438		$1,842
	Equipment		$0		$0		$7,891
	Fuels		$0		$0		$183
	Materials and Supplies		$11,706		$38,028		$5,111
	Technology / Office Equipment		$11,600		$11,600		$4,858
Services							
	Miscellaneous Services		$47,710		$43,210		$37,122
	Management Consultants		$13,600		$13,600		$9,824
	Software/Hardware Maintenance and Services		$0		$0		$18,328
	Printing and Postage		$0		$0		$1,859
	Fees and Licenses		$0		$0		$300
	Training and Travel		$86,000		$86,000		$27,663
	Grants		$6,000		$0		$12,130
Total			**$774,073**		**$763,227**		**$984,684**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

Generation

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget		2015 Approved Budget		2014 Actual	
		FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	18	$2,948,080	19	$3,077,355	20.5	$2,909,226
Purchases							
	Stores Materials and Supplies		$6,500		$4,500		$7,896
	EWEB Equipment		$477,315		$481,159		$474,637
	Landscaping and Buildings		$11,200		$15,250		$17,728
	Equipment		$56,100		$158,150		$59,907
	Energy		$242,570		$218,000		$215,945
	Water		$1,500		$0		$99
	Fuels		$5,000		$500		$5,591
	Vehicle Fuel and Oil		$5,500		$500		$0
	Materials and Supplies		$155,142		$216,890		$125,031
	Technology / Office Equipment		$13,500		$5,950		$13,085
Services							
	Contract Labor		$126,500 [1]		$0		$61,800
	Wheeling		$0		$0		$18,561
	Conservation Measures and Incentives		$0		$0		($107)
	Construction Agreements		$3,260,336 [1]		$1,509,293		$1,772,666
	Miscellaneous Services		$13,835		$14,300		$17,176
	Management Consultants		$1,139,913 [1]		$66,400		$140,029
	Software/Hardware Maintenance and Services		$9,100		$1,700		$210
	Property Rent		$123,421 [1]		$0		($3,952)
	Legal Services		$46,426		$47,450		$19,120
	Printing and Postage		$770		$0		$250
	Fees and Licenses		$492,451		$465,000		$67,514
	Insurance		$15,428		$15,000		$0
	Training and Travel		$39,114		$43,447		$34,644
	Grants		$0		$0		$15,282
Total			**$9,189,701**		**$6,340,844**		**$5,972,337**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

[1] 2016 increase due to a transfer of budget from the Engineering Division.

Governance, Risk, and Compliance

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget		2015 Approved Budget		2014 Actual	
		FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	8	$1,156,811	0	$0	0	$0
Purchases							
	Materials and Supplies		$27,300		$0		$0
	Technology / Office Equipment		$67,500		$0		$0
Services							
	Contract Labor		$10,000		$0		$0
	Insurance		$752,000		$0		$0
	Legal Services		$140,294		$0		$0
	Miscellaneous Services		$38,040		$0		$0
	Management Consultants		$55,250		$0		$0
	Training and Travel		$36,743		$0		$0
Total			**$2,283,938**		**$0**		**$0**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

This is a newly budgeted division in 2016.

Human Resources

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget			2015 Approved Budget		2014 Actual	
		FTE*	Dollars		FTE*	Dollars	FTE*	Dollars
Wages / Benefits								
	Wages / Benefits	13	$1,808,351		12	$1,702,018	12.5	$23,695,994 [2]
Purchases								
	Stores Materials and Supplies		$0			$0		$1,292
	EWEB Equipment		$0			$8,561		$3,654
	Landscaping and Buildings		$0			$0		$1,208
	Equipment		$30,000			$30,000		$486
	Materials and Supplies		$20,125			$78,309		$63,849
	Technology / Office Equipment		$20,898			$20,938		$16,161
Services								
	Contract Labor		$35,000			$5,000		$19,683
	Construction Agreements		$2,562			$2,562		$466
	Miscellaneous Services		$50,500			$27,393		$39,406
	Management Consultants		$270,243			$271,087		$148,333
	Software/Hardware Maintenance and Services		$100,000	[1]		$59,784		$65,955
	Legal Services		$160,000			$181,713		$108,501
	Printing and Postage		$5,000			$3,382		$2,399
	Training and Travel		$94,165			$64,165		$74,574
	Grants		$0			$0		$1,739
Total			**$2,596,844**			**$2,454,912**		**$24,243,699**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.

[1] Increase due to upgrades of four integrated systems.

[2] Beginning in 2015 Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in all departments' wages/benefits.

Information Services

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget			2015 Approved Budget		2014 Actual	
		FTE*	Dollars		FTE*	Dollars	FTE*	Dollars
Wages / Benefits								
	Wages / Benefits	58	$7,475,671	[1]	69	$8,416,737	68	$6,689,491
Purchases								
	Stores Materials and Supplies		$0			$500		$586
	Equipment		$0			$18,587		$19,899
	EWEB Equipment		$0			$0		$1,909
	Landscaping and Buildings		$0			$11,000		$47
	Equipment		$0			$40,000		$56,586
	Materials and Supplies		$0			$77,200		$7,143
	Technology / Office Equipment		$705,000	[2]		$188,997		$301,200
Services								
	Contract Labor		$75,000			$57,000		$171,905
	Construction Agreements		$0			$36,332		$15,534
	Miscellaneous Services		$193,000			$244,622		$390,096
	Management Consultants		$400,000			$396,861		$285,563
	Software/Hardware Maintenance & Services		$2,000,000			$2,342,725		$1,812,395
	Printing and Postage		$0			$30,500		$13,239
	Fees and Licenses		$10,000			$5,760		$9,982
	Training and Travel		$202,681			$238,083		$175,393
Total			**$11,061,352**			**$12,104,904**		**$9,950,967**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

[1] In September 2015, 7 FTE transferred to Building Operations, and 4 FTE to Governance, Risk, and Compliance due to re-organization.

[2] Replacing aging systems.

Power Resources and Strategic Planning

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget		2015 Approved Budget		2014 Actual	
		FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	9	$1,532,342	[1] 12	$1,906,607	12	$1,866,246
Purchases							
	Stores Materials and Supplies		$500		$0		($38,639)
	Equipment		$0		$4,996		$1,328
	EWEB Equipment		$0		$0		$23
	Energy		$0		$0		($13,025)
	Materials and Supplies		$5,000	[2]	$96,700		$57,249
	Technology / Office Equipment		$22,000		$9,250		$743
Services							
	Contract Labor		$15,000		$27,650		$10,836
	Conservation Measures and Incentives		$0		$0		$882
	Construction Agreements		$0		$0		$5,204
	Miscellaneous Services		$382,100	[3]	$296,327		$400,946
	Management Consultants		$225,917	[3]	$197,639		$84,014
	Software/Hardware Maintenance and Services		$112,600		$103,050		$86,992
	Legal Services		$112,000		$126,000		$83,806
	Printing and Postage		$2,800		$0		$3,535
	Fees and Licenses		$2,000		$0		$3,906
	Training and Travel		$66,500		$55,500		$47,098
	Grants		$0		$0		$22,484
Total			**$2,478,759**		**$2,823,719**		**$2,623,627**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

[1] transfer of 2 FTE to Information Services and 1 FTE to HR

[2] Decrease in Materials and Supplies reflect the end of a Pilot Program sponsored by BPA.

[3] 2016 increase due to a transfer of membership budget from contingency.

Public Affairs

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget		2015 Approved Budget		2014 Actual	
		FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	10.1	$1,461,514	9.6	$1,411,608	10	$1,229,398
Purchases							
	Stores Materials and Supplies		$0		$0		$835
	EWEB Equipment		$0		$1,508		$908
	Materials and Supplies		$22,882		$28,750		$9,373
	Technology / Office Equipment		$17,000		$19,000		$7,374
Services							
	Contract Labor		$10,000		$10,000		$9,284
	Miscellaneous Services		$31,000		$27,500		$19,863
	Management Consultants		$245,000 [1]		$250,174		$363,807
	Software/Hardware Maintenance and Services		$8,000		$5,000		$2,256
	Printing and Postage		$40,000		$40,000		$35,097
	Fees and Licenses		$0		$0		$47
	Training and Travel		$28,000		$29,000		$25,025
	Grants		$845,500 [2]		$848,000		$436,495
Total			**$2,708,896**		**$2,670,540**		**$2,139,760**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

[1] 2014 actuals included expenses that have been reallocated to grants.

[2] Expenses for greenpower grants were below budget in 2014. Greenpower grants are offset by donations to greenpower revenue.

Trading and Power Operations

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget		2015 Approved Budget		2014 Actual	
		FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	15	$2,755,344 [1]	15	$2,918,326	15	$2,506,011
Purchases							
	Stores Materials and Supplies		$0		$0		$43
	EWEB Equipment		$0		$0		$228
	Equipment		$0		$0		$961
	Energy		$122,064,088 [2]		$112,762,479		$139,409,309
	Fuels		$1,469,679 [3]		$1,707,099		$1,947,026
	Materials and Supplies		$3,000		$3,000		$1,465
	Technology / Office Equipment		$11,700		$11,700		$98,410
Services							
	Wheeling		$12,761,904 [4]		$11,955,307		$12,566,951
	Conservation Measures and Incentives		$0		$0		$56,760
	Construction Agreements		$0		$0		$8
	Miscellaneous Services		$17,103		$14,772		$30,408
	Management Consultants		$10,400		$10,400		$13,704
	Software/Hardware Maintenance and Services		$611,629 [5]		$604,526		$446,083
	Legal Services		$50,000		$50,000		$224,478
	Training and Travel		$35,000		$32,000		$61,870
Total			**$139,789,847**		**$130,069,609**		**$157,363,712**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

[1] 2016 budget reflects DuPont schedule for real time staff.
[2] Increase in purchased power with BPA power cost increase.
[3] Decrease in fuel cost due to lower natural gas prices.
[4] Wheeling budget increase with BPA transmission cost increase.
[5] System maintenance moved from Technology/Office Equipment to Software/Hardware Maintenance & Services.

Water Operations

Operations & Maintenance Budget

Category	Resource	2016 Proposed Budget		2015 Approved Budget		2014 Actual	
		FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	77.53	$7,862,813	77.05	$8,113,930	76.25	$6,661,924
Purchases							
	Stores Materials and Supplies		$213,396		$315,974		$364,027
	EWEB Equipment		$829,221 [2]		$649,880		$465,894
	Landscaping and Buildings		$25,100		$16,000		$10,681
	Equipment		$71,500		$114,470		$123,161
	Energy		$986,402		$946,500		$1,042,578
	Water		$0		$0		$2,453
	Fuels		$1,750		$1,500		$2,394
	Vehicle Fuel and Oil		$0		$1,200		$113
	Materials and Supplies		$736,984		$724,326		$591,307
	Technology / Office Equipment		$72,845		$45,197		$30,802
Services							
	Contract Labor		$95,050		$173,750		$76,328
	Conservation Measures and Incentives		$37,200		$37,200		$6,816
	Construction Agreements		$997,782 [1]		$633,010		$603,060
	Miscellaneous Services		$67,100		$57,093		$76,140
	Management Consultants		$132,912		$136,859		$128,789
	Software/Hardware Maintenance and Services		$34,000		$44,500		$30,228
	Printing and Postage		$8,500		$10,700		$8,811
	Fees and Licenses		$104,000		$91,985		$79,831
	Training and Travel		$44,740		$94,597		$62,467
	Grants		$6,000		$0		$919
Total			**$12,327,295**		**$12,208,671**		**$10,368,724**

* FTE represents budgeted total and may include FTE assigned to the Capital Budget as well as the effect of mid-year department reorganizations. Accordingly, budgeted and actual operations & maintenance wages/benefits dollars may not directly align with FTE.
Beginning in 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/ benefits.

[1] Increase due to reservoir maintenance and transmission inspection.

[2] Shift of equipment from Capital to O & M

Attachment 3

Labor and Employee Benefit Costs

EUGENE WATER & ELECTRIC BOARD
LABOR AND EMPLOYEE BENEFITS
2016 BUDGET COMPARED TO 2015 BUDGET AND 2014 ACTUAL

	2016		2015		2014	
Wages & benefits [1]	**Budget**	**% of Total wages**	**Budget**	**% of Total wages**	**Actual**	**% of Total wages**
Regular Wages	$ 43,472,000	96.8	$ 42,537,000	96.0	$ 42,144,000	95.4
Premium Wages	1,455,000	3.2	1,785,000	4.0	2,032,000	4.6
Total wages	44,927,000	100%	44,322,000	100%	44,176,000	100%
Public employees retirement fund	14,179,000	31.6	15,418,000	34.8	12,303,000	27.8
Other benefits - employer contribution [2]	3,859,000	8.6	3,933,000	8.9	3,701,000	8.4
Health insurance [3]	8,753,000	19.5	8,140,000	18.4	7,890,000	17.9
Post-retirement medical	1,184,000	2.6	1,761,000	4.0	1,529,000	3.5
Long-term disability	274,000	0.6	287,000	0.6	264,000	0.6
Life insurance	391,000	0.9	393,000	0.9	358,000	0.8
Total benefits	28,640,000	63.7	29,932,000	67.5	26,045,000	59.0
Total wages & benefits	$ 73,567,000		$ 74,254,000		$ 70,221,000	

[1] Benefit allocation method changed in 2015. Accordingly, some categories may not be directly comparable.

[2] Includes : Social Security/Medicare tax, Unemployment Insurance, Worker's Compensation Insurance.

[3] Includes Voluntary Employee's Beneficiary Association (VEBA) expense.

Attachment 4

Reserve Information

EUGENE WATER & ELECTRIC BOARD

ELECTRIC and WATER UTILITY PROJECTED RESERVES, DESIGNATED, UNRESTRICTED AND RESTRICTED FUNDS

($000s omitted)

	Electric System			Water System		
	Target	12/31/15 Projected [1]	12/31/16 Projected [2]	Target	12/31/15 Projected [1]	12/31/16 Projected [2]
Reserves:						
Operating and Self Insurance	$ 3,700	$ 5,400	$ 5,400	$ 1,300	$ 1,300	$ 1,300
Power Operating	22,100	27,400	22,100			
Capital Improvement[3]	7,500	16,500	15,300	7,000	7,400	7,400
Total Reserves	33,300	49,300	42,800	4,800	8,700	8,700
Board Designated Funds:[4]						
Rate Stabilization Fund		12,500	12,500		3,600	3,600
Carmen Smith Funds		15,800	7,900			
Harvest Wind Reserve		-	-			
Economic Development Loans		1,900	1,900		100	100
Water Stewardship Fund - Septic Repairs					100	100
Alternative Water Supply					2,900	3,900
Pension and Medical Funds[5]		8,300	8,300		1,000	1,000
Total Designated Funds		38,500	30,600		7,700	8,700
Working Cash	24,000	46,200	54,900	3,400	4,200	4,200
Total Working Cash and Unrestricted Funds	57,300	$ 134,000	$ 128,300	8,200	$ 20,600	$ 21,600
Legally Restricted:						
Bond Funds - Capital		$ 14,400	$ 1,800		$ -	$ 13,000 [6]
System Development Charge Reserves					2,900	2,900
Reserves for Debt Service		19,500	19,500		1,600	2,300
Total Restricted Funds		$ 33,900	$ 21,300		$ 4,500	$ 18,200

1. Projections as of October 21, 2015
2. 2015 changes to unrestricted reserves are included in working cash. The Board will officially transfer funds in the second quarter of 2015.
3. 12/31/15 projection includes funds for approved capital projects that will be continued in 2016.
4. Designated funds are used for one-time expenses.
5. Does not include anticipated transfer due to 2015 pension costs projected to be under budget in accordance with Financial Policy 1.4.1
6. Increase represents anticipated April bond issuance

Attachment 5

Budgeted Financial Ratios and Statistics

EUGENE WATER & ELECTRIC BOARD
BUDGETED FINANCIAL RATIOS
December 31, 2016

	Electric Utility	Water Utility
Debt Service Coverage Ratio[1]	2.14	2.65
Days Cash[2]	168	167
Operating Ratio[3]	0.80	0.56
Target		
Debt Service Coverage Ratio	1.75 to 2.00	2.00 to 2.50
Days Cash	90 to 149 days	90 to 120 days
Operating Ratio	≤.77	≤.57

NOTE: A higher number for Debt Service Coverage Ratio and Days Cash and a lower number for the Operating Ratio reflects a stronger financial position.

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

2. Ratio of total available cash to adjusted average daily cash requirements for operating and other non-capital expenses. This measures the length of time the utility can carry projected non-capital related operations with readily available cash. Calculations include rate stabilization funds.

3. Ratio of O&M expenses/operating revenue. This ratio measures the proportion of revenue received from sales and other operational activity required to cover O&M costs associated with producing and selling electricity or water.

Rely on us.

EWEB

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

February 2016 Electric Price Proposal

Fiscal Services Department
December 2015

EUGENE WATER & ELECTRIC BOARD
FEBRUARY 2016 ELECTRIC PRICE PROPOSAL

TABLE OF CONTENTS

EXECUTIVE SUMMARY

There are two distinct proposals that require Board approval.

Overall average price change proposal: An overall average price increase of 2.5% to recover revenue requirements due largely to increases that have already occurred in Bonneville Power Administration (BPA) prices to EWEB (approximately 7% increase in BPA power prices which translates into approximately a 3% EWEB average price increase).

Price Design and Other Price Schedules Proposal: Using an overall average price increase of 2.5% in revenue requirements, approve one of the following four options and the New Pilots, Price Schedules and Update:

- Option 1: 2.5% price increase on all price elements for Residential and General Service (GS) customers. No price design change to current price structure. See Attachments 1 and 2.
- Option 2: $5 increase to Residential Basic Charge ($25.00) and implementation of price design changes for Residential and GS customers. See Attachment 3.
- Option 3: $5 increase to Residential Basic Charge ($25.00) with offset to Residential Delivery Charge, no change to Residential Energy Charge tiers and implementation of price design changes for Residential and GS customers. See Attachment 4.
- Option 4: 2.5% price increase to Residential Basic Charge ($22.70) with no change to Residential Delivery and Energy Charge tiers and implementation of price design changes for Residential and GS customers. Included as part of price proposal on page 18.

New Pilots, Schedule and Update:

- Time of Use pilot prices for Large and Medium GS customers.
- A new LED Customer Owned Street Light Service schedule J-5.
- Changes to the Open Access Transmission Tariff.

Revised electric prices for the Residential and GS customer classes would become effective with billings rendered on and after February 1, 2016.

Since the November Board Meeting, $131,000 was added to the budget for customer care and other expenses with an offsetting increase in revenues. Additionally, $141,000 for previously issued bond costs were added to align with accounting requirements. The small net difference was not material enough to change the Revenue Requirement of 2.5%.

Additional price design options for the Residential class were added for Board consideration (Options 1, 3 & 4) and the three year fixed cost transition for Streetlight prices has been changed to five years.

I. INTRODUCTION

Purpose of Study

The purpose of this price study is to provide background information and technical analyses in support of Eugene Water & Electric Board (EWEB) staff recommendations for revised electric prices. The study includes documentation of electric system revenue requirements, projected system loads and sales, and allocation of ongoing utility costs to individual customer classes for the 12-month period beginning January 2016. The most recent electric price revision was February 2014, amounting to a 4.0 percent overall average revenue requirement increase. There was no price increase for 2015. A 2.5% average increase in the electric revenue requirement is recommended for the proposed 2016 budget.

Establishment of Prices

EWEB is a locally regulated municipal utility operating under the authority of the Eugene City Charter and pertinent provisions of Oregon law. The responsibilities delegated to the Board pursuant to the City Charter are carried out by five elected Commissioners who serve without pay. As an independent municipal agency, the EWEB Commissioners have exclusive jurisdiction to approve annual operating budgets and establish prices for electric service.

Although EWEB's electric prices 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 prices and the general conduct of utility business. Current statutes and related case law provide two general standards concerning the establishment of retail electric prices.

The first of these price making standards allows EWEB to set prices at a level sufficient to recover the ongoing costs of utility operation. These costs include annual operating expense, requirements for capital additions, interest and amortization of outstanding debt, and applicable tax obligations and the need to maintain adequate reserves. This standard is intended to ensure the financial integrity of the utility, while defining the costs of operation which can be lawfully recovered through prices.

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

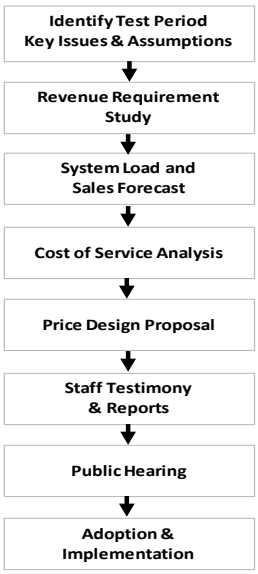
The above standards, together with established Board policies concerning cost allocation and price design, allow EWEB to maintain prices at the lowest possible level consistent with sound financial principles and traditional utility price making practices. They also give EWEB's elected Board of

Commissioners complete authority to approve prices which are cost-based, non-discriminatory and in concert with the needs of EWEB customers.

Price Review Process

EWEB's electric prices 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 price adjustment, EWEB staff is directed to prepare studies which determine appropriate price 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
Price Review Process



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

The next step is an assessment of the electric system load and resource forecasts. These projections are prepared by EWEB's Fiscal Services Department, consistent with historical and future growth trends in the EWEB service area. The forecasts are then used to estimate system sales by price class, as well as purchased power costs for the next several years. Test period load and sales forecasts are of major importance, since wholesale purchased power costs comprise approximately 50 percent of EWEB's total annual operating expenses.

Once EWEB's projected operating costs, revenue requirements and sales forecasts have been determined, the Fiscal Services Department staff typically performs a detailed Cost of Service Analysis. The purpose of this study is to allocate test period costs to each of EWEB's customer classes and price 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.

The Cost of Service study is used to calculate total allocated costs and segregated revenue requirements for each customer class. The resulting unit costs are then used to develop specific components and recommended revisions for EWEB's published schedules for electric service.

Public Notice and Hearings Schedule

EWEB's price review process is a formal, sequential procedure. The underlying objective of this process is to ensure that EWEB customers and the general public receive adequate notice and explanation of pending price change proposals and is an opportunity for the Board to hear and consider all public comment prior to approval and implementation of revised prices. Accordingly, EWEB Commissioners have adopted specific guidelines for public notice and hearings during discussion of electric price recommendations which runs concurrent with the budget approval process. A legal notice notifying customers of the public hearing was published as follows:

The name of the newspaper and the publication date for the legal notice is:

Publication Name	Date
The Register-Guard	October 30, 2015

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

Customers are invited to comment on EWEB's budget and price assumptions throughout the budget development process. There are two scheduled public hearings specifically for price proposals. The hearings will be held during the EWEB Board meetings on Tuesday, November 3rd, beginning at 5:30 p.m. and Tuesday, December 1st, beginning at 5:30 p.m. at the EWEB Headquarters, 500 East Fourth Ave., in Eugene.

Written comments are also welcome, and may be sent to the attention of EWEB's Fiscal Services Department, PO Box 10148, Eugene, OR 97440. E-mail comments may be directed to budget@eweb.org. For timely consideration at the December Board meeting, comments must be received prior to December 1, 2015.

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

1. Two dates are scheduled for public hearings to seek public comment regarding proposed 2016 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 either, on or after February 1, 2016.

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

   November 3, 2015 - 5:30 p.m.
   December 1, 2015 - 5:30 p.m.

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

3. Specific rate recommendations for each customer class may be obtained on EWEB's website: http://www.eweb.org/boardmeetings or by calling EWEB's Fiscal Services Department at (541) 685-7000 or emailing budget@eweb.org. Copies of the budget document and rate proposals will be made available at the public hearings.

4. 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. To ensure timely consideration, written comments must be received by November 30, 2015. E-mail comments may be directed to: Deborah.hart@eweb.org.

II. BACKGROUND INFORMATION

A. Organizational Structure

EWEB 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:

	Area	Term Expires December 31,
Steve Mital, President	Wards 1, 8	2016
John Simpson, Vice President	At-Large	2018
John Brown	Wards 4, 5	2018
Richard Helgeson	Wards 2, 3	2016
James Manning	Wards 6, 7	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. 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 513 combined electric and water personnel as of third quarter 2015. 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:

Executive	Department
Roger Gray	General Manager

Leadership Team Member	Areas of Responsibility
Steve Newcomb	Environmental Management
Susan Fahey	Financial Services
Lena Kostopulos	Human Resources
Erin Erben	Information Services
Erin Erben	Power Resources & Strategic Planning
Lance Robertson	Public Affairs
Mark Freeman	Customer Service & Energy Management Services
Mel Damewood	Engineering
Mike McCann	Generation & Fleet Services
Dave Churchman	Trading & Power Operations
Brad Taylor	Water Operations
Todd Simmons	Electric Distribution Reliability & Facilities
Roger Kline	Governance, Risk and Compliance
Anne Kah	Executive Assistant to Board and GM

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 regularly with the Leadership Team members who hold meetings with their department staff to maintain employee productivity and efficient operations.

Figure 2

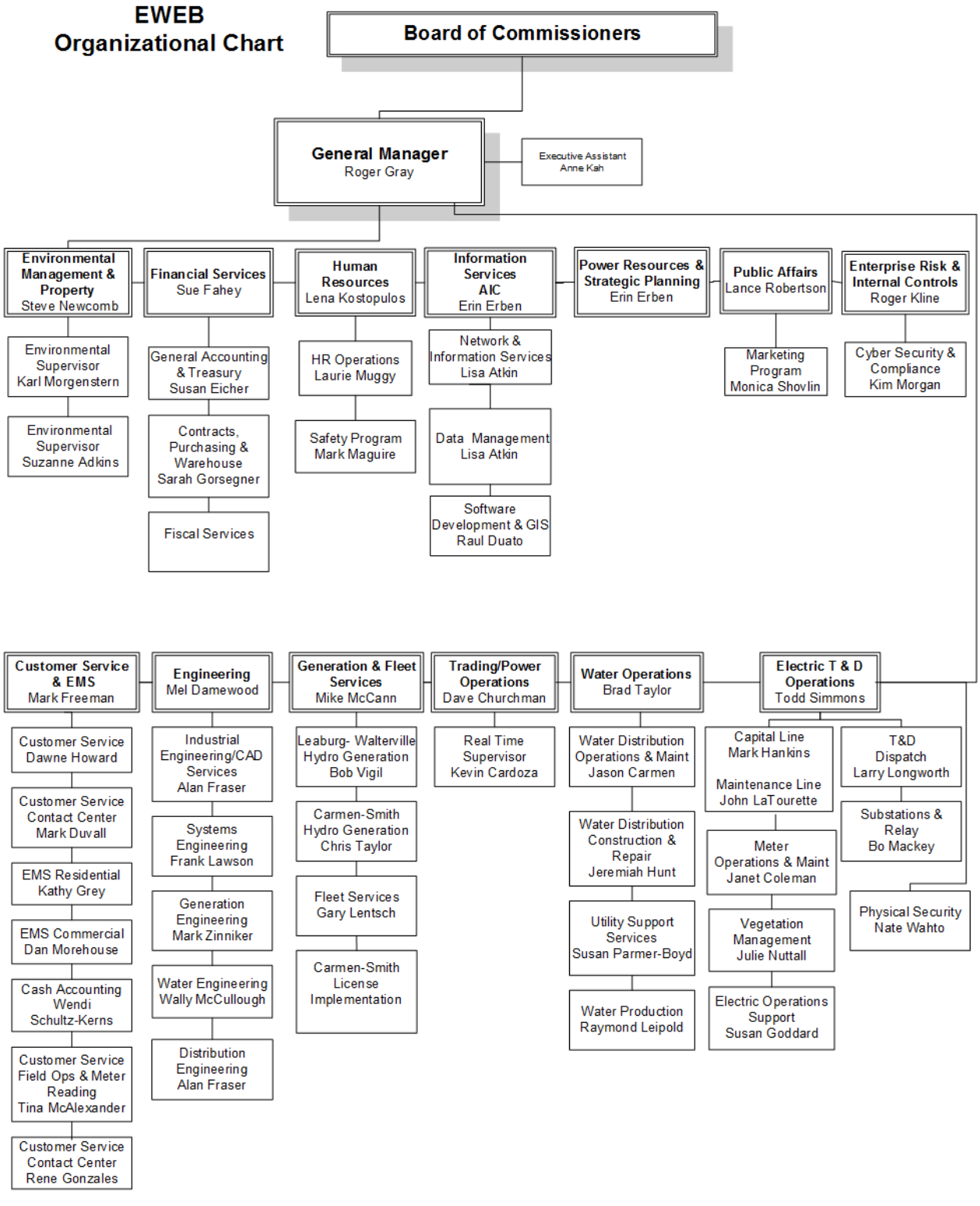

EWEB
Organizational Chart
Board of Commissioners
General Manager
Roger Gray
Executive Assistant
Anne Kah
Environmental Management & Property
Steve Newcomb
Environmental Supervisor
Karl Morgenstern
Environmental Supervisor
Suzanne Adkins
Financial Services
Sue Fahey
General Accounting & Treasury
Susan Eicher
Contracts, Purchasing & Warehouse
Sarah Gorsegner
Fiscal Services
Human Resources
Lena Kostopulos
HR Operations
Laurie Muggy
Safety Program
Mark Maguire
Information Services AIC
Erin Erben
Network & Information Services
Lisa Atkin
Data Management
Lisa Atkin
Software Development & GIS
Raul Duato
Power Resources & Strategic Planning
Erin Erben
Public Affairs
Lance Robertson
Marketing Program
Monica Shovlin
Enterprise Risk & Internal Controls
Roger Kline
Cyber Security & Compliance
Kim Morgan
Customer Service & EMS
Mark Freeman
Customer Service
Dawne Howard
Customer Service Contact Center
Mark Duvall
EMS Residential
Kathy Grey
EMS Commercial
Dan Morehouse
Cash Accounting
Wendi Schultz-Kerns
Customer Service Field Ops & Meter Reading
Tina McAlexander
Customer Service Contact Center
Rene Gonzales
Engineering
Mel Damewood
Industrial Engineering/CAD Services
Alan Fraser
Systems Engineering
Frank Lawson
Generation Engineering
Mark Zinniker
Water Engineering
Wally McCullough
Distribution Engineering
Alan Fraser
Generation & Fleet Services
Mike McCann
Leaburg- Walterville Hydro Generation
Bob Vigil
Carmen-Smith Hydro Generation
Chris Taylor
Fleet Services
Gary Lentsch
Carmen-Smith License Implementation
Trading/Power Operations
Dave Churchman
Real Time Supervisor
Kevin Cardoza
Water Operations
Brad Taylor
Water Distribution Operations & Maint
Jason Carmen
Water Distribution Construction & Repair
Jeremiah Hunt
Utility Support Services
Susan Parmer-Boyd
Water Production
Raymond Leipold
Electric T & D Operations
Todd Simmons
Capital Line
Mark Hankins
Maintenance Line
John LaTourette
Meter Operations & Maint
Janet Coleman
Vegetation Management
Julie Nuttall
Electric Operations Support
Susan Goddard
T&D Dispatch
Larry Longworth
Substations & Relay
Bo Mackey
Physical Security
Nate Wahto
ated: 10/16/15

Table 1 below shows the percentage change in EWEB employees, customers and electric sales over the past ten years. Although Electric customer loads have seen recent decreases due to an unusually warm winter, there is evidence of customer count growth for residential customers and load growth in general service. In addition to the positions reduced in 2012-2014 through priority based budgeting, ongoing efficiency and effectiveness efforts continue to keep FTE count down.

Table 1
Employee, Customer & Megawatt-Hour Sales Statistics
For the Period 2005-2014

Year	Total Employees	% Change	Customer Count	% Change	MWh Sales	% Change
2005	487	4.7%	84,100	1.2%	2,663,174	1.1%
2006	489	0.4%	85,400	1.5%	2,689,923	1.0%
2007	495	1.2%	86,600	1.4%	2,728,685	1.4%
2008	510	3.0%	86,700	0.1%	2,625,659	-3.8%
2009	538	5.5%	86,900	0.2%	2,494,222	-5.0%
2010	558	3.7%	87,200	0.3%	2,463,227	-1.2%
2011	562	0.7%	87,700	0.6%	2,489,432	1.1%
2012	532	-5.3%	89,300	1.8%	2,457,626	-1.3%
2013	515	-3.2%	90,100	0.9%	2,489,496	1.3%
2014	513	-0.1%	91,100	1.1%	2,411,455	-3.1%

NOTE: The above figures are as of the end of each year.

EWEB places a high value on quality service and responsiveness to the needs of its customers. Because of its standards for reliability and design, electric service interruptions are infrequent and limited to short duration. EWEB also offers a variety of customer-oriented programs designed to provide information about utility services, promote efficient use of energy resources, and give assistance to customers.

B. Electric System Highlights

EWEB is the largest publicly owned utility in the state of Oregon, the principal generating public utility in Oregon, and the sixth largest public agency customer of the Bonneville Power Administration. 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 238-square-mile area now served by EWEB includes most of the City of Eugene and adjacent areas, including locations near municipally owned power projects at Walterville and Leaburg. EWEB's service area adjoins the City of Springfield municipal electric system on the east, the Emerald People's Utility District on the north, the Blachly-Lane Electric Cooperative on the west, and the Lane Electric Cooperative system on the south.

Current customers range in size from smaller residential and commercial customers, to moderately sized processing and manufacturing facilities, to large institutional and industrial accounts. System load characteristics therefore vary throughout the year, with peak loads occurring in the winter months consistent with local weather patterns and electric space heating requirements.

EWEB's local electric system consists principally of four hydroelectric projects, an industrial cogeneration facility, and the necessary transmission and distribution facilities for provision of service to the end use consumers. EWEB currently maintains 36 substations which are networked together through 126 circuit miles of transmission lines and 1,115 circuit miles of primary distribution lines. EWEB also owns, operates and maintains remote generating facilities which include two hydroelectric projects interconnected to the interstate transmission grid through 37 miles of 115 kV transmission line and an industrial cogeneration and wind generation facilities. The book value of the EWEB electric utility plant-in-service is approximately $728 million.

As Oregon's largest generating public utility, generating facilities have a combined nameplate rating of 247.5 megawatts (including the hydroelectric plants at Carmen-Smith, Leaburg, Walterville, Stone Creek, Smith Creek, two cogeneration facilities at International Paper and Wauna, and wind power generators at Foote Creek Rim and Harvest Wind), which is used to service annual retail and wholesale loads. Another source of supply is purchased through contracts with various generating public and private utilities and energy suppliers. The remaining portion of EWEB's firm power portfolio is obtained through long-term contracts with the Bonneville Power Administration (BPA), a federal power marketing agency.

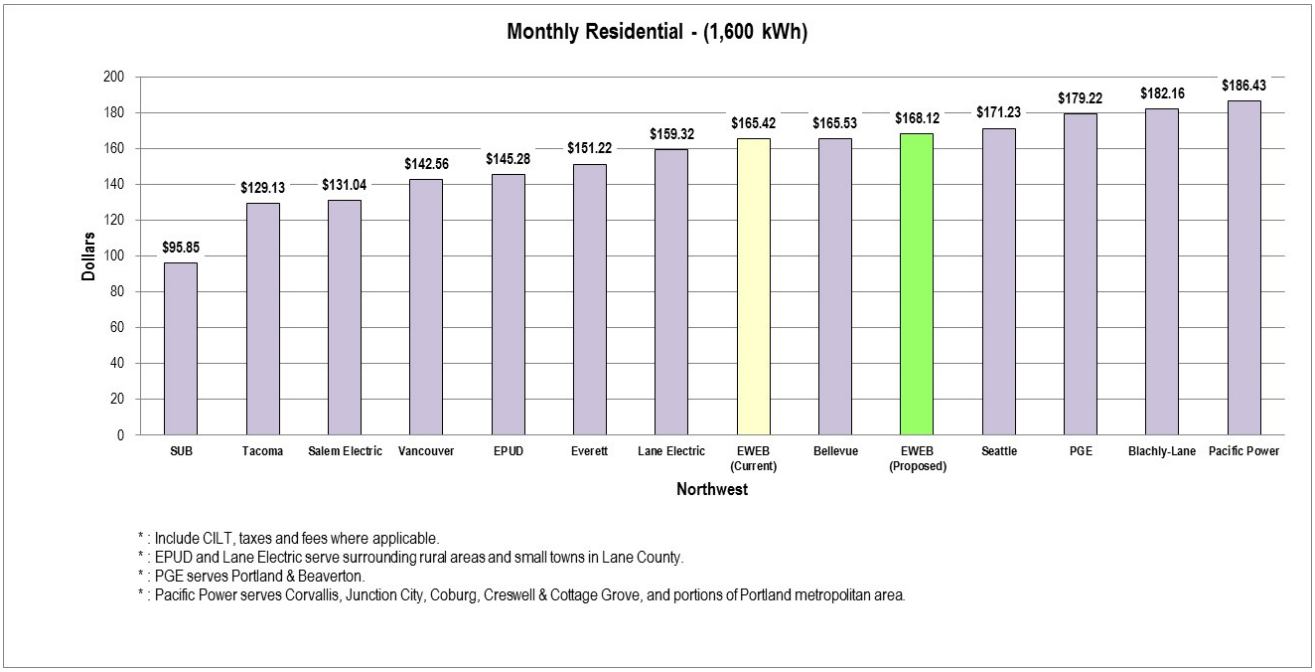
Although EWEB's power supply costs have historically ranked fairly low nationally, recent proposed increases in BPA wholesale power prices and concern about future BPA price stability have emphasized the need for continued resource planning. EWEB's Integrated Electric Resource Plan (IERP) approved by the Board in 2012 relies on energy efficiency and demand response programs to meet future load growth. Work on the IERP will be begin in 2016 to be completed in 2017.

EWEB also plays a key role in the Pacific Northwest energy network and has often assumed leadership working directly with other federal and state planning agencies to prepare plans and proposals which will shape the Northwest's energy future.

C. Residential Bill Comparisons

A comparison of current and proposed monthly residential bills for selected Northwest communities is shown in *Figure 3*. Sample bills are calculated using EWEB's average monthly single family residence consumption of 1,600 kilowatt-hours. A bill of $165.42 for EWEB in the figure is calculated using the existing residential price. Sample bills for the residential price proposal are shown in *Table 5*.

Figure 3



The resulting monthly average electric bill based on this proposal using price design Option 4 is $168.12, an increase of $2.70 over 2015.

III. REVENUE REQUIREMENTS STUDY

This section contains a general description of EWEB's annual budgeting process. It also includes documentation of EWEB's 2016 proposed budget for operating and capital expenses and revenue requirements which has been designated as the test period for the current price proposal. In addition to determining the overall revenue requirement needed to sustain operation of the electric utility, test period revenue requirements are a primary input to the Cost of Service Analysis.

A. Preparation of Annual Budgets

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.

EWEB management and staff use a priority based budgeting (PBB) approach for budget development. This approach has served EWEB well in its effort to align budgets with EWEB's mission, strategic plan and customer priorities.

Over the last several years, the Electric Utility has been facing financial challenges. Those challenges have been managed by strategically reducing operations & maintenance and capital costs, designing price structures that increase fixed cost recovery, and prudently using reserves to strengthen financial metrics. While Electric loads have seen recent decreases due to an unusually warm winter, there is evidence of customer count growth for residential customers and load growth in general service. Power sales revenue has been relatively flat for the last few years.

In developing the 2013 and 2014 budgets, EWEB reduced more than 70 positions and $7.7 million operations & maintenance (O&M) dollars. Over the same time period, capital budgets were reduced or deferred by approximately $80 million as EWEB prioritized spending and focused strategic investment on the resilient "core". Continuing that work, in 2015 management identified more than $2 million in additional O&M expenditure reductions.

All levels of the EWEB organization are involved in preparation of the annual Electric Utility Budget in order to place responsibility for cost control on the managers who project and incur the costs. Each department is allocated a budget that is prepared in accordance with the PBB process and Board direction.

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 an electric price adjustment.

A draft budget with explanations on variances from prior years is discussed with the EWEB Commissioners. The Board reviews the draft budget 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 year.

All supervisors are required to expend funds in a manner consistent with approved budget estimates. Year-to-date balances are compared to budgets to ensure that costs continue to track as expected. Quarterly financial reports and any significant deviations are brought to the attention of the Board for review in accordance with Board Policy EL-1, Financial Controls. Year-end results are routinely checked against budgets, with differences noted for potential input to the next year's budget cycle.

B. Test Period Revenue Requirements

EWEB has designated calendar year 2016 as the "test period" for development of electric system costs and revenues in this current price proposal. This corresponds with the expenditures included in the 2016 Proposed Electric Budget.

For the February 2016 price study, staff was able to incorporate the projected sales, revenues and expenditure data from the proposed 2016 budget directly as a basis for this revenue requirement proposal.

The electric system costs are forecasted to be met with forecasted revenue including the current price redesign proposal.

IV. SYSTEM LOAD AND SALES FORECAST

A. Overview of the Forecasting Process

EWEB routinely prepares both short- and long-range electric system load forecasts as part of its ongoing planning activities. Annual projections of total system electric loads are prepared by the Fiscal Services and Power Resources & Strategic Planning Departments in conjunction with power resource scheduling and contracting functions. These annual forecasts employ both historical load data from EWEB records and projected economic, demographic and weather trends for the Eugene area. Other regional forecasts, such as BPA's 20-year Forecast of Electricity Consumption, are also reviewed for consistency and applicability to EWEB.

Basic growth projections for EWEB's system are developed through application of various forecasting methods, which include statistical trending, econometric analysis and end use models. Annual system forecasts are examined regularly and adjusted for changing local economic conditions and customer characteristics. The resulting base forecasts become a key input to energy resource planning, power scheduling, facilities design and preparation of annual budgets. They also become an integral part of the price development process as a basis for allocation of operating costs and design of proposed prices for each customer class. Most recent forecasts indicate an estimate a small increase in EWEB's service area electricity consumption over the next two years. Actual growth however may vary considerably from year to year due to changes in local weather patterns and commercial activity.

EWEB's annual electric load forecast was adopted directly as the basis for estimating total system sales for the current price study. Specifically, the twelve-month period from January through December 2016 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 load and sales forecasts are applied to the development of retail prices, and the results obtained for 2016 test period.

B. Methodology and Procedures

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

The 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. Other local agencies are consulted as necessary for additional data pertinent to the forecasting of utility sales. Customer-specific data is also sought for major commercial/industrial users, since the short-run requirements of these customers are often related to particular business cycles rather than long-term trends.

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 price test period. Such review ensures that the sales forecast used in the price design process remains consistent with projections used to prepare purchased power budgets and 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 price class grouping. Customer sales statistics for the past three to ten years were used to calculate current class contribution to annual system sales and typical monthly distribution of consumption for each class.

Monthly projections for some classes, such as Street and Private Lighting, were calculated directly based on known load characteristics and seasonal traits. Customer-supplied estimates for larger commercial/industrial accounts were substituted for historical averages when it was reasonable to do so. The final projections were then correlated with available load research and engineering data for the EWEB system. The results were used to determine projected customer class contribution to system peaks, non-coincident peak loads and demand billing units.

C. 2016 Forecast Results

The results of EWEB's forecast of sales for the 2016 price test period are summarized briefly below:

Table 2
Test Period Forecast of Electric Utility
Customers & Sales by Price Class
For 2016 Price Test Period

Customer Class	Customer Counts	Energy Sales in MWH	% of Sales
Residential	82,190	960,941	40.1%
Small General Service	7,680	165,730	6.9%
Medium General Service	1,820	500,191	20.9%
Large General Service	53	223,041	9.3%
Very Large General Service	1	8,307	0.3%
Contract A	1	397,220	16.6%
Contract C	1	66,780	2.8%
Contract D	1	62,400	2.6%
Street Lighting	N/A	8,637	0.4%
Private Lighting	N/A	758	0.0%
Total	**91,747**	**2,394,007**	**100.0%**

NOTE: Energy Sales does not include line loss.

The above information represents an increase in EWEB customers by the end of 2016, which is a trend over the last two years, vacancy rates and projected new service connections. The percentage of total EWEB sales represented by each customer class has remained stable for many years. Total electric sales for the period are forecast at 2.4 billion kilowatt-hours which is comparable to 2015.

The 2016 Load and Sales Forecast are used as a basis for cost allocation, price design and revenue projections at current and proposed prices.

V. COST OF SERVICE ANALYSIS

This section documents the procedures used in development of a Cost of Service study.

A. Cost of Service Methods and Procedures

In April of 1980 in concert with PURPA provisions, the Board also adopted the cost-of-service standard as the primary mechanism for price development.

EWEB's Cost of Service methodology uses standard electric utility costing procedures to allocate the test period revenue requirements to each customer class. The allocated costs reflect the contribution of each price class to total system costs during the period for which prices are being developed. Study results also measure the equitability of prices 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 difference as a basis for determining appropriate price levels and percentage adjustments for each customer class. The study also derives unit costs used to assist in development of the actual energy, demand and basic charge components recommended for each electric price schedule.

EWEB's Cost of Service study begins with a detailed assessment of utility proposed operating budget and revenue requirements for the upcoming price period. The analysis relies on anticipated electric system expenditures, retail sales and projected revenues contained in the Proposed Electric 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 production, transmission, distribution, or customer accounting. Each line item expense is then classified as varying with contribution to monthly system peak demands, total energy consumption or number of customers for each price class. Specific items are also identified for direct assignment when they are clearly associated with service to particular price classes.

To more accurately assign costs to individual price classes, EWEB's cost of service model also breaks down the various demand and customer costs into subcomponents. Demand-related costs are segregated into transmission, primary and secondary distribution components according to voltage level. Basic customer costs are sub-classified as either facilities or customer service related.

After classification and sub-classification, each cost category is distributed to one or more price 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 monthly system peaks and seasonal energy requirements involves a full examination of all customer loads during the test period. Accordingly, the allocation step relies on the sales projections and available load research data described in Section IV, System Load and Sales Forecast.

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 price classes. The final step is to combine the calculations in a summary table showing 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 price design.

VI. PRICE RECOMMENDATIONS

The purpose of this section is to present staff's proposals for revisions to the prices and each of EWEB's published price schedules. Proposed revenue requirements for each of EWEB's major customer classes are shown in the table below:

Table 3

Forecast of Electric Utility
Customers & Sales by Price Class
For 2016 Price Test Period

Customer Class	Price Schedule(s)	Revenue Requirement
Residential	R-6	$109,466,802
Small General Service	G-1	$19,132,657
Medium General Service	G-2	$43,207,672
Large General Service	G-3	$16,891,977
Very Large General Service	G-4	$659,976
Contract A	N/A	$20,569,907
Contract C	N/A	$3,943,612
Contract D	N/A	$3,808,020
Street Lighting	J-3, J-4, J-5	$1,039,211
Private Lighting	L-3, L-4	$120,424
Overall Change	N/A	$218,840,258

Prices were developed in accordance with EWEB's price design objectives, to recover the costs allocated to each customer class. Consideration was given to the various elements of each price schedule to ensure that the schedules are consistent with each class' share of allocated demand, energy and customer costs. In addition, these proposals reflect other legitimate price making objectives, such as stability of prices, equity to customers within a class and proper price signals in keeping with EWEB's average and marginal costs.

The following subsections briefly describe pertinent issues for the design of charges in each published price schedule. Tables showing projected billing units, current and proposed prices, and projected revenues follow each subsection, with a summary of anticipated customer impacts.

A. Residential Service (Schedule R-6)

Residential customers are served under EWEB's Schedule R-6, which applies to single family and smaller multifamily dwellings. This price schedule consists of a fixed monthly customer charge with a tiered energy price applied to all monthly metered consumption. Currently, about 81,500 residential customers are served under this schedule.

In this proposal, the full revenue requirement of 2.5% is included in the Basic Charge which will increase to $22.70 per month. There is no change to the Delivery price and Energy Charge tiers. The proposed prices are shown in *Table 4*.

Table 4
Residential Service
Existing vs. Proposed Prices
Option 4

	Existing Prices	Proposed Prices	Percent Difference
Basic Charge:	**$20.00**	**$22.70**	**13.5%**
Delivery Charge:	**$0.02560**	**$0.02560**	**0.0%**
Energy Charge:			
SUMMER			
First 800 kWh	**$0.05803**	**$0.05803**	**0.0%**
Over 800 kWh	**$0.07254**	**$0.07254**	**0.0%**
WINTER			
First 800 kWh	**$0.05803**	**$0.05803**	**0.0%**
Over 800 kWh	**$0.07254**	**$0.07254**	**0.0%**

A monthly bill comparison at various usage levels for existing versus proposed prices can be found in *Table 5*.

Table 5
Residential Service
Existing vs. Proposed Prices

	Current Prices				Proposed Prices					
	SUMMER		WINTER		SUMMER			WINTER		
Basic Charge		$20.00		$20.00			$22.70			$22.70
Delivery Charge		0.0256		0.0256			0.0256			0.0256
Energy Charge										
	First 800	0.05803	First 800	0.05803		First 800	0.05803		First 800	0.05803
	Over 800	0.07254	Over 800	0.07254		Over 800	0.07254		Over 800	0.07254
KWH USAGE	Current Bill		Current Bill		Proposed Bill	Dollar Difference	Percent Difference	Proposed Bill	Dollar Difference	Percent Difference
-		$20.00		$20.00	$22.70	$2.70	13.5%	$22.70	$2.70	13.5%
50		24.18		24.18	26.88	2.70	11.2%	26.88	2.70	11.2%
200		36.73		36.73	39.43	2.70	7.4%	39.43	2.70	7.4%
500		61.82		61.82	64.52	2.70	4.4%	64.52	2.70	4.4%
800		86.90		86.90	89.60	2.70	3.1%	89.60	2.70	3.1%
1,000		106.53		106.53	109.23	2.70	2.5%	109.23	2.70	2.5%
1,500		155.60		155.60	158.30	2.70	1.7%	158.30	2.70	1.7%
1,600		165.42		165.42	168.12	2.70	1.6%	168.12	2.70	1.6%
2,000		204.67		204.67	207.37	2.70	1.3%	207.37	2.70	1.3%
3,000		302.81		302.81	305.51	2.70	0.9%	305.51	2.70	0.9%
4,000		400.95		400.95	403.65	2.70	0.7%	403.65	2.70	0.7%
5,000		499.09		499.09	501.79	2.70	0.5%	501.79	2.70	0.5%
7,000		695.37		695.37	698.07	2.70	0.4%	698.07	2.70	0.4%
10,000		989.79		989.79	992.49	2.70	0.3%	992.49	2.70	0.3%

B. Small General Service (Schedule G-1)

The Small General Service schedule consists of accounts with monthly billing demands from 0 to 30 kW. Customers are assigned to this class based on an average of the three highest demands in the prior 12 months falling below 30 kW.

There are about 7,600 commercial customers presently served in the demand range for Small General Service (Schedule G-1). This price typically applies to non-residential accounts for service at secondary distribution voltages of 480 volts or less. Under the General Service schedule, EWEB provides all distribution and service facilities necessary to meet the power requirements of the customer.

The structure of the Small General Service price is similar to the Residential schedule in that both contain a basic charge and an energy charge. It varies from the Residential price structure, in that it includes a demand charge (based on the customer's peak load during the month), a flat energy charge, and a two-step delivery charge. Under the General Service price, these costs are separate price components and are additive in computing the bill.

There is an overall class increase of 2.5% for the Small General Service schedule G-1. *Table 6* provides the existing prices versus proposed prices.

Table 6
Small General Service
Existing Prices vs Proposed Prices
(0 - 30 Monthly kW)

	Existing Prices	Proposed Prices
Basic Charge		
Single-Phase	$22.50	$40.00 per month
Three-Phase	$33.25	$51.00 per month
Demand Charge		
First 10 kW	No Charge	No Charge per kW
Over 10 kW	$6.950	$8.500 per kW
Delivery Charge		
First 1,750 kWh	$0.03490	$0.03500 per kWh
Additional kWh	0.00129	0.00400 per kWh
Energy Charge		
All kWh	$0.06732	$0.05680 per kWh

C. Medium General Service (Schedule G-2)

The Medium General Service Schedule consists of accounts with monthly billing demands between 31 and 500 kW. Customers are assigned to the class based on an average of the three highest demands in the last 12 months falling between 31 and 500 kW.

There are approximately 1,800 commercial customers presently served in the demand range for Medium General Service (Schedule G-2). This price typically applies to non-residential accounts for service at secondary distribution voltages of 480 volts and primary voltages of up to 12.47 kilovolts. Under the General Service schedule, EWEB provides all distribution and service facilities necessary to meet the power requirements of the customer at the delivered voltage.

Similar to the Small General Service price, the proposed form of the Medium General Service price also includes a basic charge, a demand charge (based on the customer's peak load during the month), and an energy charge.

In addition to the standard or "secondary" Medium General Service price, EWEB offers an alternative price to larger qualifying customers. The Primary Service Power price is available to any commercial or industrial customer located outside the underground secondary network who:

1) receives single-point delivery at primary distribution voltages of 12.47 kV or greater,

2) is willing to contract for and pay for a minimum of 300 kilowatts of demand per month, and

3) is willing to provide, own, install and maintain all necessary transformers, cutouts, protection equipment, primary metering enclosures, and all distribution facilities beyond the point of delivery.

There is an overall class increase of 2.5% for the Medium General Service schedule G-2. *Table 7* provides information on existing versus proposed prices.

Table 7

Medium General Service
Existing Prices vs Proposed Prices
(31 - 500 Monthly kW)

	Existing Prices		Proposed Prices		
	Secondary	Primary	Secondary	Primary	
Basic Charge					
Single-Phase	$37.30	---	$50.00	---	per month
Three-Phase	$57.85	$3,360	$70.00	$185	per month
Demand Charge					
First 300 KW	$7.25	---	$9.000	$8.850	per kW
Over 300 KW	$7.25	$7.10	$9.000	$8.850	per kW
Energy Charge					
All kWh	$0.06084	$0.05996	$0.05700	$0.05612	per kWh

D. Large General Service (Schedule G-3)

The Large General Service class consists of accounts with monthly billed demands greater than 501 kW up to 10,000 kW. Customers are assigned to the class based on an average of the three highest demands in the last 12 months falling between 501 - 10,000 kW.

There are 53 commercial, industrial, and public agency customers presently served in the demand range for Large General Service price (Schedule G-3). This price typically applies to non-residential accounts for service at secondary distribution voltages of 480 volts and primary voltages of up to 12.47 kilovolts. Under the General Service schedule, EWEB provides all distribution and service facilities necessary to meet the power requirements of the customer at the delivered voltage.

In addition to the "secondary" Large General Service price, EWEB offers an alternative commercial price to larger qualifying customers. The Primary Service Power price is available to any commercial or industrial customer located outside the underground secondary network who:

1) receives single-point delivery at primary distribution voltages of 12.47 kV or greater,

2) is willing to contract for and pay for a minimum of 300 kilowatts of demand per month, and

3) is willing to provide, own, install and maintain all necessary transformers, cutouts, protection equipment, primary metering enclosures, and all distribution facilities beyond the point of delivery.

There is an overall class increase of 2.5% for the Large General Service schedule G-3. *Table 8* provides information on existing versus proposed prices for Large General Service customers.

Table 8

Large General Service
Existing Prices vs Proposed Prices
(501 - 10,000 Monthly kW)

	Existing Prices		Proposed Prices		
	Secondary	Primary	Secondary	Primary	
Basic Charge	$2,690	$2,615	$1,100	$1,050	per month
Demand Charge					
First 300 KW	---	---	$8.500	$8.300	per KW
Over 300 KW	$7.500	$7.300	$8.500	$8.300	per KW
Energy Charge					
All kWh	$0.04823	$0.04730	$0.04550	$0.04457	per kWh

E. Very Large General Service (Schedule G-4) (For Service in excess of 10,000 kW without a Contract)

This service is available to Very Large General Service loads over 10,000 kilowatts of demand, or customers classified as "New Large Single Load" by the BPA that are no4t presently covered under a power sales agreement with EWEB. The basic charge for Very Large General Secondary Service is proposed to increase from $2,717 to $2,785 per month and Primary Service from $2,645 to $2,711 per month; demand charge is $0 for the first 300 kW for both Secondary and Primary; Over 300 kW is $7.35 per kW for Secondary and $7.14 per kW for Primary; and the energy charge is $0.06680 per kWh for both Secondary and Primary.

There is an overall class increase of 2.5% to the Very Large General Service schedule G-4.

F. Customer-Owned Street Lighting (Schedule J-3, J-4, J-5)

Customer-owned street lighting service is available to government agencies, lighting districts, and water districts. Proposed street lighting prices do not include any direct costs for installation or maintenance of customer-owned fixtures. The proposed price schedules recover only costs for energy and associated costs necessary to operate the customer's lighting equipment which meets the Board's specifications. This practice is appropriate because ongoing maintenance tasks are now the responsibility of the other agencies.

There are approximately 11,400 street lights served on the EWEB system. It is estimated that agency streetlights will consume 8.5 million kilowatt-hours during 2016. This estimate is based on the wattage rating of each individual lighting fixture and the total number of night-time hours per year. The proposed agency lighting prices reflect allocated customer, demand and energy costs by fixture type, consistent with available engineering data.

There is a new Customer-Owned Street Lighting Service for LED J-5. *Tables 9-11* provide information on existing and proposed Customer-Owned Street Lighting prices.

For the 2016 price schedule, there was an update of the cost allocation methodology for Customer-Owned Street Lighting Service. The change shifts fixed cost recovery out of the energy component and into a fixed component of the flat price. Fixed cost transition will occur over the next five years.

Although the revenue requirement for Customer-Owned Street Lighting customers increased 2.5%, a fixed cost recovery transition period will shift fixed costs out of the energy and demand components to a fixed component over the next five years.

Table 9

J-3 Customer Owned Street Lighting Service

Description	Lamp Type	Existing Monthly Flat Price	Proposed Monthly Flat Price
175 Watt MV	Mercury Vapor	$7.85	$8.07
250 Watt MV	Mercury Vapor	$9.65	$10.58
400 Watt MV	Mercury Vapor	$14.15	$15.28
700 Watt MV	Mercury Vapor	$23.75	$24.79

Table 10

J-4 Customer Owned Street Lighting Service

Description	Lamp Type	Existing Monthly Flat Price	Proposed Monthly Flat Price
35 Watt HPS	High Pressure Sodium	$2.53	$3.74
50 Watt HPS	High Pressure Sodium	$3.85	$4.20
70 Watt HPS	High Pressure Sodium	$4.55	$5.11
100 Watt HPS	High Pressure Sodium	$5.63	$5.77
150 Watt HPS	High Pressure Sodium	$7.28	$7.39
200 Watt HPS	High Pressure Sodium	$8.47	$9.30
250 Watt HPS	High Pressure Sodium	$10.27	$11.07
310 Watt HPS	High Pressure Sodium	$11.98	$12.97
400 Watt HPS	High Pressure Sodium	$14.30	$15.82
1000 Watt HPS	High Pressure Sodium	$32.33	$33.51
1000 Watt MH	Metal Halide	$32.33	$33.23

Table 11

J-5 Customer Owned Street Lighting Service (LED)

Description	Lamp Type	Existing Monthly Flat Price	Proposed Monthly Flat Price
0 to 10 Watts	Light Emitting Diode	N/A	$2.61
11 to 20 Watts	Light Emitting Diode	N/A	$2.89
21 to 30 Watts	Light Emitting Diode	N/A	$3.17
31 to 40 Watts	Light Emitting Diode	N/A	$3.46
41 to 50 Watts	Light Emitting Diode	N/A	$3.74
51 to 60 Watts	Light Emitting Diode	N/A	$4.03
61 to 80 Watts	Light Emitting Diode	N/A	$4.46
81 to 125 Watts	Light Emitting Diode	N/A	$5.45
126 to 175 Watts	Light Emitting Diode	N/A	$6.74
176 to 225 Watts	Light Emitting Diode	N/A	$8.16
226 to 275 Watts	Light Emitting Diode	N/A	$9.58
276 to 350 Watts	Light Emitting Diode	N/A	$11.44
351 to 750 Watts	Light Emitting Diode	N/A	$18.13

G. Private Property Lighting Service (Schedule L-3, L-4)

EWEB also offers lighting service to individuals and businesses to provide overhead outdoor lighting for private property from dusk to dawn each day throughout the year. All equipment used to furnish service under this schedule is installed, owned, operated and maintained by EWEB.

There are presently about 1,600 private security lights comprised of various lamp sizes on the EWEB system. It is estimated that these lights will consume about 890,000 kWh during the 12-month test period. In addition to collecting energy revenue, the prices presently in effect for private security lighting are designed to amortize capital costs and to provide for depreciation, funds for fixture replacement, maintenance, regular lamp washing, and lamp replacement.

Recommended charges for Private Property Lighting Service are based on the wattage rating and cost characteristics of each lamp size. Where there is a EWEB pole dedicated for private lighting, there is a $1.00 per month pole rental charge.

In 2006, a new price schedule was added, Schedule L-4, Private Property Lighting Service. The schedule accommodates the gradual transition of L-3 private lights to high-efficiency, low-diffusion, high pressure sodium (HPS) lights, in accordance with standards mandated by Eugene City Code, Section 9.6725. Schedule L-3 is closed to new services, and is being phased out.

There is an overall class increase of 2.5% for schedules L-3 and L-4. As in the Customer Owner Street Lighting Schedule, there will be a five year fixed cost recovery transition. Aligning the cost allocation methodology with Street Lighting has resulted in a cost shift from lower to higher wattage lamps. *Tables 12 and 13* provide existing prices versus proposed prices for Private Property Lighting Services.

Table 12

L-3 Private Property Lighting Service

Description	Lamp Type	Existing Monthly Flat Price	Proposed Monthly Flat Price
100 Watt HPS	High Pressure Sodium	$7.05	$6.06
200 Watt HPS	High Pressure Sodium	$8.99	$9.82
400 Watt HPS	High Pressure Sodium	$14.93	$16.74

Table 13

L-4 Private Property Lighting Service

Description	Lamp Type	Existing Monthly Flat Price	Proposed Monthly Flat Price
50 Watt HPS	High Pressure Sodium	$5.67	$4.40
70 Watt HPS	High Pressure Sodium	$5.78	$5.37
150 Watt HPS	High Pressure Sodium	$6.25	$7.79

H. Business Growth and Retention Price Rider (BGR-1) (For Service from 200 kW to 10,000 kW of new or incremental demand)

1. Applicable

This Rider is applicable as an addendum to the otherwise applicable General Service electric price schedule for qualified customers locating or expanding service on EWEB's transmission and/or distribution system(s). New or existing General Service customers who add a minimum of 200 kilowatts (kW) of billing demand may qualify. Service is applicable to customers with the average of the three highest monthly kW demands in a 12-month rolling period falling between 200 and 10,000 kilowatts of either new or incremental demand. Customers taking service must first be approved for participation in EWEB's Business Growth & Retention Program based on specified attributes the project brings to the community.

2. Price

The BGR-1 Rider shall be calculated by subtracting the monthly average ICE Mid-C Settled Index price from the customer's average applicable retail energy (kWh) price to establish the retail/wholesale market differential. The monthly retail/wholesale market differential is allocated to the customer as an incentive price. The split is 50/50 in the first year, 60 (EWEB)/40 (customer) in the second year; and 80 (EWEB) /20 (customer) in the third year.

The BGR-1 Rider is applied to the new or incremental energy (kWh) use only. The credit is based on a look back calculation for all energy consumed above the baseline and credited to the bill no more frequently than every six months. The BGR credit will not be paid for any billing period that customer fails to meet 200 kW minimum additional demand.

3. Contract

Service under this Rider is provided under a three-year, signed agreement.

4. Start Date

The start date of the incentive price period shall commence within 24 months from the date of execution of the contract for service and shall be designated by the customer and EWEB within the BGR-1 agreement. (*This 24-month period is to accommodate construction prior to full operation.)*

5. Metering

Separate electric metering for new or additional load may be required if, in EWEB's sole opinion, it is necessary to provide service under this schedule. The customer will be responsible for any costs associated with providing separate electric metering.

I. Residential Time of Use Pilot (Schedule R–TOU)

The pilot price is available for up to 450 customers. Participation is at the sole discretion of EWEB and may be applied to either sub-metered customer load, such as EV or water heater end use devices, or to whole house loads. This price will sunset as of December 31, 2017 without further Board action. Customers will be allowed to return to the standard Residential Service – Schedule R-6 price at any time, but EWEB will not allow customers to return to the Pilot Time of Use price once opted out of the price.

To be eligible to participate, services must be underground or overhead electric services for separately metered single-family residences, duplexes, triplexes, quads, townhouses, multifamily structures with less than four living units, and mobile homes, except as may be other otherwise specified by prior contract. Boarding, lodging, rooming houses, or group care facilities shall also be considered residential services if not more than five private sleeping rooms are used by members of the customer's family.

When a major portion of a dwelling is regularly used for the conduct of business, the customer may separate the wiring so that the residential portion may be metered separately and billed on the Residential Schedule, otherwise the entire dwelling shall be billed on a General Service Schedule. Price schedules apply to the sale of electrical energy for the sole and exclusive use of the customer. The customer shall not resell electrical energy supplied by EWEB. Table 14 provides the proposed time of use pricing information for Residential TOU customers.

Table 14
Residential Time of Use Price Service
Existing vs. Proposed Prices

	Existing Prices	Proposed Prices	Percent Difference
Basic Charge:	$20.00	$22.70	13.5%
On-Peak Energy Charge:	$0.14477	$0.14440	-0.3%
Off-Peak Energy Charge:	$0.06510	$0.06567	0.9%

On and Off Peak Hours
Winter (beginning November 1st of each year)
On-Peak 7:00 a.m. to 11:00 a.m. Monday - Friday
5:00 p.m. to 9:00 p.m. Monday - Friday
Off-Peak 9:00 p.m. to 7:00 a.m. Monday - Friday
11:00 a.m. to 5:00 p.m. Monday - Friday
All hours Saturday - Sunday
Summer (beginning May 1st of each year)
On-Peak 12:00 p.m. to 8:00 p.m. Monday - Friday
Off-Peak 8:00 p.m. to 12:00 p.m. Monday - Friday
All hours Saturday - Sunday

J. Medium General Service Time of Use Pilot (Schedule C-TOU-1)

EWEB is proposing a limited time of use pilot for commercial customers. The time of use pilot allows a customer to benefit from shifting load to off-peak hours. The intent of the pilot is to allow customers to receive the benefit of load shifting while EWEB works through metering, billing, and customer accounting changes with a small group of customers. The pilot price is limited due to billing constraints, but it is structured to be revenue neutral. Customers would not be guaranteed bill savings under this pilot.

The design is constructed to pass along savings from EWEB's BPA network transmission (NT) bill and on- and off-peak price differentials. The BPA NT bill is determined by EWEB's peak kilowatt demand at the time of the BPA's transmission system peak. Historical data was reviewed to confirm the on-peak demand period coincided with the BPA transmission system peak. Therefore, a shift in demand from on-peak to off-peak hours will have a corresponding reduction in BPA NT bills every two years when BPA resets their prices.

The on- and off-peak energy pricing differential is based on the wholesale market price differential. If the customer shifts from on-peak to off-peak hours, EWEB is able to benefit from the difference in market prices to realize the on- and off- peak price differential. Both the demand and energy off-peak pricing represents real cost savings to EWEB that can be passed along to customers who can consume proportionately more in the off-peak periods. *Table 15* provides the proposed time of use pricing information for Medium General Service customers.

Table 15
Medium General Service Time of Use Pilot

	Existing Prices			Proposed Prices		
	Secondary	**Primary**		**Secondary**	**Primary**	
Basic Charge						
Single-Phase	$37.30	---		$50.00	---	per month
Three-Phase	$57.85	$3,360		$70.00	$185.00	per month
Demand Charge						
First 300 KW	$7.25	-				per kW
Over 300 KW	$7.25	$7.10				per kW
On- Peak				$9.00	$8.85	per kW
Off- Peak				$6.96	$6.81	per kW
Energy Charge						
All kWh	$0.06084	$0.05996				per kWh
On- Peak				$0.06260	$0.06172	per kWh
Off- Peak				$0.05519	$0.05431	per kWh

K. Large General Service Time of Use Pilot (Schedule C-TOU-2)

EWEB is proposing a limited time of use pilot for commercial customers. The time of use pilot allows a customer to benefit from shifting load to off-peak hours. The intent of the pilot is to allow customers to receive the benefit of load shifting while EWEB works through metering, billing, and customer accounting changes with a small group of customers. The pilot price is limited due to billing constraints, but it is structured to be revenue neutral. Customers would not be guaranteed bill savings under this pilot.

The design is constructed to pass along savings from EWEB's BPA network transmission (NT) bill and on- and off-peak price differentials. The BPA NT bill is determined by EWEB's peak kilowatt demand at the time of the BPA's transmission system peak. Historical data was reviewed to confirm the on-peak demand period coincided with the BPA transmission system peak. Therefore, a shift in demand from on-peak to off-peak hours will have a corresponding reduction in BPA NT bills every two years when BPA resets their prices.

The on- and off-peak energy pricing differential is based on the wholesale market price differential. If the customer shifts from on-peak to off-peak hours, EWEB is able to benefit from the difference in market prices to realize the on- and off- peak price differential. Both the demand and energy off-peak pricing represents real cost savings to EWEB that can be being passed along to customers who can consume proportionately more in the off-peak periods.

Table 16 provides the proposed time of use pricing information for Large General Service customers.

Table 16
Large General Service Time of Use Pilot

	Existing Prices		Proposed Prices		
	Secondary	**Primary**	**Secondary**	**Primary**	
Basic Charge	$ 2,690	$ 2,615	$ 1,100	$ 1,050	per month
Demand Charge					
First 300 KW	---	---			per kW
Over 300 KW	$7.50	$7.30			per kW
On- Peak			$8.50	$8.30	per kW
Off- Peak			$6.46	$6.26	per kW
Energy Charge					
All kWh	$0.04823	$0.04730			per kWh
On- Peak			$0.05110	$0.05017	per kWh
Off- Peak			$0.04469	$0.04276	per kWh

L. Open Access Transmission Tariff (OATT)

While this item is typically not bundled with the retail price proposal for Board, the timing coincides and so retail price and wholesale price changes are addressed together.

Background

A price increase in EWEB's transmission tariff is being proposed. The transmission delivery price would increase from $1.13 per kW month to $1.51 per kW month, effective with February 2016 bills. The most recent change to the price was in January 2011.

EWEB offers electric transmission service at the wholesale level. User prices for this service are contained in EWEB's Open Access Transmission Tariff (OATT). This tariff is patterned after OATT tariffs required of FERC-jurisdiction utilities. Though EWEB is not a FERC-jurisdiction utility, it has voluntarily chosen this type of price and price schedule to provide transmission on a non-discriminatory basis and to provide consistency with other transmission serving entities. Currently, EWEB provides transmission service to the Springfield Utility Board and the University of Oregon.

Discussion

EWEB's OATT tariff is periodically updated and was most recently updated in January 2011. The proposed increase is due to higher transmission plant investment and decreasing peak load forecast. Both of these factors result in a higher price.

The peak load forecast decrease reflects lower peak demand. *Table 17* provides existing and proposed OATT prices.

Table 17
OATT Transmission Delivery Service Prices

Existing Transmission Prices	**per kW-Year**	**per kW-Month**
a. McKenzie Substation Common	$ 5.69	$ 0.47
b. Transmission System	$13.53	$ 1.13
Proposed 2016 Transmission Prices		
a. McKenzie Substation Common	$ 5.36	$ 0.45
b. Transmission System	$ 18.11	$ 1.51
Transformation Price Existing	$ 15.63	$ 1.30
Transformation Price Proposed	$ 19.69	$ 1.64
Distribution Price Existing	$ 11.03	$ 0.92
Distribution Price	$ 13.34	$ 1.11

A. Residential Service (Schedule R-6) - Price Design Option 1

Residential customers are served under EWEB's Schedule R-6, which applies to single family and smaller multifamily dwellings. This price schedule consists of a fixed monthly customer charge with a tiered energy price applied to all monthly metered consumption. Currently, about 81,500 residential customers are served under this schedule.

In this proposal, all price components increase by 2.5% and preserve the current design structure. The proposed prices are shown in *Table 4*.

Table 4
Residential Service
Existing vs. Proposed Prices
Option 1

	Existing Prices	Proposed Prices	Percent Difference
Basic Charge:	**$20.00**	**$20.50**	**2.5%**
Delivery Charge:	**$0.02560**	**$0.02624**	**2.5%**
Energy Charge:			
SUMMER			
First 800 kWh	**$0.05803**	**$0.05948**	**2.5%**
Over 800 kWh	**$0.07254**	**$0.07435**	**2.5%**
WINTER			
First 800 kWh	**$0.05803**	**$0.05948**	**2.5%**
Over 800 kWh	**$0.07254**	**$0.07435**	**2.5%**

A monthly bill comparison at various usage levels for existing versus proposed prices can be found in *Table 5*.

Table 5
Residential Service
Existing vs. Proposed Prices

	Current Prices				Proposed Prices					
	SUMMER		WINTER		SUMMER			WINTER		
Basic Charge		$20.00		$20.00			$20.50			$20.50
Delivery Charge		0.0256		0.0256			0.0262			0.0262
Energy Charge										
	First 800	0.05803	First 800	0.05803		First 800	0.05948		First 800	0.05948
	Over 800	0.07254	Over 800	0.07254		Over 800	0.07435		Over 800	0.07435
KWH USAGE	Current Bill		Current Bill		Proposed Bill	Dollar Difference	Percent Difference	Proposed Bill	Dollar Difference	Percent Difference
-		$20.00		$20.00	$20.50	$0.50	2.5%	$20.50	$0.50	2.5%
50		24.18		24.18	24.79	0.60	2.5%	24.79	0.60	2.5%
200		36.73		36.73	37.64	0.92	2.5%	37.64	0.92	2.5%
500		61.82		61.82	63.36	1.55	2.5%	63.36	1.55	2.5%
800		86.90		86.90	89.08	2.17	2.5%	89.08	2.17	2.5%
1,000		106.53		106.53	109.20	2.66	2.5%	109.20	2.66	2.5%
1,500		155.60		155.60	159.49	3.89	2.5%	159.49	3.89	2.5%
1,600		165.42		165.42	169.55	4.14	2.5%	169.55	4.14	2.5%
2,000		204.67		204.67	209.79	5.12	2.5%	209.79	5.12	2.5%
3,000		302.81		302.81	310.38	7.57	2.5%	310.38	7.57	2.5%
4,000		400.95		400.95	410.98	10.02	2.5%	410.98	10.02	2.5%
5,000		499.09		499.09	511.57	12.48	2.5%	511.57	12.48	2.5%
7,000		695.37		695.37	712.76	17.38	2.5%	712.76	17.38	2.5%
10,000		989.79		989.79	1,014.54	24.74	2.5%	1,014.54	24.74	2.5%

B. Small General Service (Schedule G-1)

The Small General Service schedule consists of accounts with monthly billing demands from 0 to 30 kW. Customers are assigned to this class based on an average of the three highest demands in the prior 12 months falling below 30 kW.

There are about 7,600 commercial customers presently served in the demand range for Small General Service (Schedule G-1). This price typically applies to non-residential accounts for service at secondary distribution voltages of 480 volts or less. Under the General Service schedule, EWEB provides all distribution and service facilities necessary to meet the power requirements of the customer.

The structure of the Small General Service price is similar to the Residential schedule in that both contain a basic charge and an energy charge. It varies from the Residential price structure, in that it includes a demand charge (based on the customer's peak load during the month), a flat energy charge, and a two-step delivery charge. Under the General Service price, these costs are separate price components and are additive in computing the bill.

There is an overall class increase of 2.5% for the Small General Service schedule G-1. *Table 6* provides the existing prices versus proposed prices.

Table 6
Small General Service
Existing Prices vs Proposed Prices
(0 - 30 Monthly kW)

	Existing Prices	Proposed Prices	Percent Difference	
Basic Charge				
Single-Phase	$22.50	$23.06	2.5%	per month
Three-Phase	$33.25	$34.08	2.5%	per month
Demand Charge				
First 10 kW	No Charge	No Charge		per kW
Over 10 kW	$6.950	$7.124	2.5%	per kW
Delivery Charge				
First 1,750 kWh	$0.03490	$0.03577	2.5%	per kWh
Additional kWh	0.00129	0.00132	2.5%	per kWh
Energy Charge				
All kWh	$0.06732	$0.06900	2.5%	per kWh

C. Medium General Service (Schedule G-2)

The Medium General Service Schedule consists of accounts with monthly billing demands between 31 and 500 kW. Customers are assigned to the class based on an average of the three highest demands in the last 12 months falling between 31 and 500 kW.

There are approximately 1,800 commercial customers presently served in the demand range for Medium General Service (Schedule G-2). This price typically applies to non-residential accounts for service at secondary distribution voltages of 480 volts and primary voltages of up to 12.47 kilovolts. Under the General Service schedule, EWEB provides all distribution and service facilities necessary to meet the power requirements of the customer at the delivered voltage.

Similar to the Small General Service price, the proposed form of the Medium General Service price also includes a basic charge, a demand charge (based on the customer's peak load during the month), and an energy charge.

In addition to the standard or "secondary" Medium General Service price, EWEB offers an alternative price to larger qualifying customers. The Primary Service Power price is available to any commercial or industrial customer located outside the underground secondary network who:

1) receives single-point delivery at primary distribution voltages of 12.47 kV or greater,

2) is willing to contract for and pay for a minimum of 300 kilowatts of demand per month, and

3) is willing to provide, own, install and maintain all necessary transformers, cutouts, protection equipment, primary metering enclosures, and all distribution facilities beyond the point of delivery.

There is an overall class increase of 2.5% for the Medium General Service schedule G-2. *Table 7* provides information on existing versus proposed prices.

Table 7
Medium General Service
Existing Prices vs Proposed Prices
(31 - 500 Monthly kW)

	Existing Prices		Proposed Prices		
	Secondary	Primary	Secondary	Primary	
Basic Charge					
Single-Phase	$37.30	---	$38.23	---	per month
Three-Phase	$57.85	$3,360	$59.30	$3,444	per month
Demand Charge					
First 300 KW	$7.25	---	$7.431	---	per kW
Over 300 KW	$7.25	$7.10	$7.431	$7.281	per kW
Energy Charge					
All kWh	$0.06084	$0.05996	$0.06236	$0.06148	per kWh

D. Large General Service (Schedule G-3)

The Large General Service class consists of accounts with monthly billed demands greater than 501 kW up to 10,000 kW. Customers are assigned to the class based on an average of the three highest demands in the last 12 months falling between 501 - 10,000 kW.

There are 53 commercial, industrial, and public agency customers presently served in the demand range for Large General Service price (Schedule G-3). This price typically applies to non-residential accounts for service at secondary distribution voltages of 480 volts and primary voltages of up to 12.47 kilovolts. Under the General Service schedule, EWEB provides all distribution and service facilities necessary to meet the power requirements of the customer at the delivered voltage.

In addition to the "secondary" Large General Service price, EWEB offers an alternative commercial price to larger qualifying customers. The Primary Service Power price is available to any commercial or industrial customer located outside the underground secondary network who:

1) receives single-point delivery at primary distribution voltages of 12.47 kV or greater,

2) is willing to contract for and pay for a minimum of 300 kilowatts of demand per month, and

3) is willing to provide, own, install and maintain all necessary transformers, cutouts, protection equipment, primary metering enclosures, and all distribution facilities beyond the point of delivery.

There is an overall class increase of 2.5% for the Large General Service schedule G-3. *Table 8* provides information on existing versus proposed prices for Large General Service customers.

Table 8
Large General Service
Existing Prices vs Proposed
(501 - 10,000 Monthly kW)

	Existing Prices		Proposed Prices		
	Secondary	Primary	Secondary	Primary	
Basic Charge	$2,690	$2,615	$2,757	$2,680	per month
Demand Charge					
First 300 KW	---	---	---	---	per KW
Over 300 KW	$7.500	$7.300	$7.688	$7.486	per KW
Energy Charge					
All kWh	$0.04823	$0.04730	$0.04944	$0.04851	per kWh

E. Very Large General Service (Schedule G-4) (For Service in excess of 10,000 kW without a Contract)

This service is available to Very Large General Service loads over 10,000 kilowatts of demand, or customers classified as "New Large Single Load" by the BPA that are not presently covered under a Power Sales Agreement with EWEB. The basic charge for Very Large General Secondary Service is proposed to increase from $2,717 to $2,785 per month and Primary Service from $2,645 to $2,711 per month; demand charge is $0 for the first 300 kW for both Secondary and Primary; Over 300 kW is $7.35 per kW for Secondary and $7.14 per kW for Primary; and the energy charge is $0.06680 per kWh for both Secondary and Primary.

There is an overall class increase of 2.5% to the Very Large General Service schedule G-4.

A. Residential Service (Schedule R-6)

Residential customers are served under EWEB's Schedule R-6, which applies to single family and smaller multifamily dwellings. This price schedule consists of a fixed monthly customer charge with a tiered energy price applied to all monthly metered consumption. Currently, about 81,500 residential customers are served under this schedule.

In this proposal, the basic charge increases to $25.00 per month. The delivery price is combined with the energy charge and the energy tiers are being eliminated. The proposed prices are shown in *Table 4*.

Table 4
Residential Service
Existing vs. Proposed Prices
Option 2

	Existing Prices	Proposed Prices	Percent Difference
Basic Charge:	**$20.00**	**$25.00**	**25.0%**
Delivery Charge:	**$0.02560**	**NA**	
Energy Charge:		**$0.08696**	
SUMMER			
First 800 kWh	**$0.05803**	**NA**	
Over 800 kWh	**$0.07254**	**NA**	
WINTER			
First 800 kWh	**$0.05803**	**NA**	
Over 800 kWh	**$0.07254**	**NA**	

By removing the tiered price structure and the delivery charge, all kWh sales are priced the same.

The overall average for the class reflects a 2.5% price increase. However, a customer whose usage is higher than average will notice a small decrease to their bill while lower than average usage customers will have a small increase in their bill. The proposal is intended to strike a balance between EWEB's cost recovery objectives, compliance with the Board's price stabilization policy, and a desire to encourage efficient use of electricity.

A monthly bill comparison at various usage levels for existing versus proposed prices can be found in *Table 5*.

Table 5
Residential Service
Existing vs. Proposed Prices

	Current Prices				Proposed Prices					
	SUMMER		WINTER		SUMMER			WINTER		
Basic Charge		$20.00		$20.00			$25.00			$25.00
Delivery Charge		0.0256		0.0256						
Energy Charge										
	First 800	0.05803	First 800	0.05803		Energy Charge	0.08696		First 800	0.08696
	Over 800	0.07254	Over 800	0.07254						
KWH USAGE	Current Bill		Current Bill		Proposed Bill	Dollar Difference	Percent Difference	Proposed Bill	Dollar Difference	Percent Difference
-		$20.00		$20.00	$25.00	$5.00	25.0%	$25.00	$5.00	25.0%
50		24.18		24.18	29.35	5.17	21.4%	29.35	5.17	21.4%
200		36.73		36.73	42.39	5.67	15.4%	42.39	5.67	15.4%
500		61.82		61.82	68.48	6.66	10.8%	68.48	6.66	10.8%
800		86.90		86.90	94.57	7.66	8.8%	94.57	7.66	8.8%
1,000		106.53		106.53	111.96	5.43	5.1%	111.96	5.43	5.1%
1,500		155.60		155.60	155.44	(0.16)	-0.1%	155.44	(0.16)	-0.1%
1,600		165.42		165.42	164.14	(1.28)	-0.8%	164.14	(1.28)	-0.8%
2,000		204.67		204.67	198.92	(5.75)	-2.8%	198.92	(5.75)	-2.8%
3,000		302.81		302.81	285.88	(16.93)	-5.6%	285.88	(16.93)	-5.6%
4,000		400.95		400.95	372.84	(28.11)	-7.0%	372.84	(28.11)	-7.0%
5,000		499.09		499.09	459.80	(39.29)	-7.9%	459.80	(39.29)	-7.9%
7,000		695.37		695.37	633.72	(61.65)	-8.9%	633.72	(61.65)	-8.9%
10,000		989.79		989.79	894.60	(95.19)	-9.6%	894.60	(95.19)	-9.6%

A. Residential Service (Schedule R-6)

Residential customers are served under EWEB's Schedule R-6, which applies to single family and smaller multifamily dwellings. This price schedule consists of a fixed monthly customer charge with a tiered energy price applied to all monthly metered consumption. Currently, about 81,500 residential customers are served under this schedule.

In this proposal, the basic charge increases to $25.00 per month. The delivery price is adjusted to keep the overall price impact at 2.5%. There are no change to the Energy Charge tiers. The proposed prices are shown in *Table 4*.

Table 4
Residential Service
Existing vs. Proposed Prices
Option 3

	Existing Prices	Proposed Prices	Percent Difference
Basic Charge:	**$20.00**	**$25.00**	**25.0%**
Delivery Charge:	**$0.02560**	**$0.02330**	**-9.0%**
Energy Charge:			
SUMMER			
First 800 kWh	**$0.05803**	**$0.05803**	**0.0%**
Over 800 kWh	**$0.07254**	**$0.07254**	**0.0%**
WINTER			
First 800 kWh	**$0.05803**	**$0.05803**	**0.0%**
Over 800 kWh	**$0.07254**	**$0.07254**	**0.0%**

A customer whose usage is higher than average will notice a small decrease to their bill while lower than average usage customers will have a small increase in their bill. The proposal maintains the current price structure while enhancing fixed cost recovery.

A monthly bill comparison at various usage levels for existing versus proposed prices can be found in *Table 5*.

Table 5
Residential Service
Existing vs. Proposed Prices

	Current Prices				Proposed Prices					
	SUMMER		WINTER		SUMMER			WINTER		
Basic Charge		$20.00		$20.00			$25.00			$25.00
Delivery Charge		0.0256		0.0256			0.0233			0.0233
Energy Charge										
	First 800	0.05803	First 800	0.05803		First 800	0.05803		First 800	0.05803
	Over 800	0.07254	Over 800	0.07254		Over 800	0.07254		Over 800	0.07254
KWH USAGE	Current Bill		Current Bill		Proposed Bill	Dollar Difference	Percent Difference	Proposed Bill	Dollar Difference	Percent Difference
-		$20.00		$20.00	$25.00	$5.00	25.0%	$25.00	$5.00	25.0%
50		24.18		24.18	29.07	4.89	20.2%	29.07	4.89	20.2%
200		36.73		36.73	41.27	4.54	12.4%	41.27	4.54	12.4%
500		61.82		61.82	65.67	3.85	6.2%	65.67	3.85	6.2%
800		86.90		86.90	90.06	3.16	3.6%	90.06	3.16	3.6%
1,000		106.53		106.53	109.23	2.70	2.5%	109.23	2.70	2.5%
1,500		155.60		155.60	157.15	1.55	1.0%	157.15	1.55	1.0%
1,600		165.42		165.42	166.74	1.32	0.8%	166.74	1.32	0.8%
2,000		204.67		204.67	205.07	0.40	0.2%	205.07	0.40	0.2%
3,000		302.81		302.81	300.91	(1.90)	-0.6%	300.91	(1.90)	-0.6%
4,000		400.95		400.95	396.75	(4.20)	-1.0%	396.75	(4.20)	-1.0%
5,000		499.09		499.09	492.59	(6.50)	-1.3%	492.59	(6.50)	-1.3%
7,000		695.37		695.37	684.27	(11.10)	-1.6%	684.27	(11.10)	-1.6%
10,000		989.79		989.79	971.79	(18.00)	-1.8%	971.79	(18.00)	-1.8%

Eugene Water & Electric Board
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February 2016 Water Price Proposal

Fiscal Services Department
December 2015

EUGENE WATER & ELECTRIC BOARD
2016 Water Price Proposal

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EXECUTIVE SUMMARY

The 2016 Price Proposal was developed in accordance with the proposed 2016 budget. The cost of service analysis, revenue requirements and proposed price schedules by customer class, are included in this document.

In accordance with industry standard, EWEB conducts a comprehensive Cost of Service Analysis (COSA) a minimum of every 3-5 years or when a major shift to COSA variables occurs and performs an update to the COSA in the other years. For 2016, the COSA was updated to determine the overall revenue requirement.

Table 1, on page 12, provides the detailed revenue requirements which are based on the proposed 2016 budget. Overall this resulted in a 3.6% change in revenue requirements and prices. The proposed revenue and price change by customer class are presented in *Table 3* on page 16. Staff is recommending that the revenue requirement be spread equally across all customer classes, and that the increase be applied almost entirely to the basic charge in an effort to continue fixed cost recovery financial stability efforts. Residential elevation volumetric charges are also proposed to increase.

Since the November proposal, there has been a $7,000 increase in miscellaneous revenue to record a rebate, coupled with an offsetting expense, resulting in no net change. Approximately $200,000 in labor costs were shifted between functional classifications to align with projected expenses.

I. INTRODUCTION

Purpose of Study

The purpose of this price study is to provide background information and technical analyses in support of the Eugene Water & Electric Board (EWEB) management proposal for revised water prices. 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 2016. The most recent changes to water prices occurred in February 2015, with an overall average increase of 4.9%. The 2016 Water Price Proposal is for an overall average increase of 3.6%. This increase is included in the 2016 proposed budget.

Drivers for the proposed price increase are in part due to an increase in operations and maintenance costs, and to accommodate the price smoothing strategy adopted by the Board in 2013. This strategy was adopted to mitigate significant price increases when construction on an alternate water supply is scheduled to begin in 2019. The 2016 proposed budget assumes net consumption of 7.6 million kgals which is approximately the same as the 2015 budget but lower than actual 2014 consumption of 8.2 million kgals and 2015 projected consumption.

In keeping with proposed 2015 budget assumptions, anticipated expenditures, forecasted sales for the 12-month period and the results of an updated Cost of Service study, EWEB staff is recommending an average price increase of 3.6% for each customer class.

If approved by the EWEB Commissioners following the scheduled public hearings, revised water prices will become effective with billings rendered on and after February 1, 2016 with the exception of the Water Districts. Consistent with prior years, the Water Districts' price increase will become effective July 1, 2016.

Establishment of Prices

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 carrying 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 prices for water service.

Although EWEB's water prices 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 prices and the general conduct of utility business. Current statutes and related case law provide two general standards concerning the establishment of water prices.

The first of these price making standards allows EWEB to set prices 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 prices.

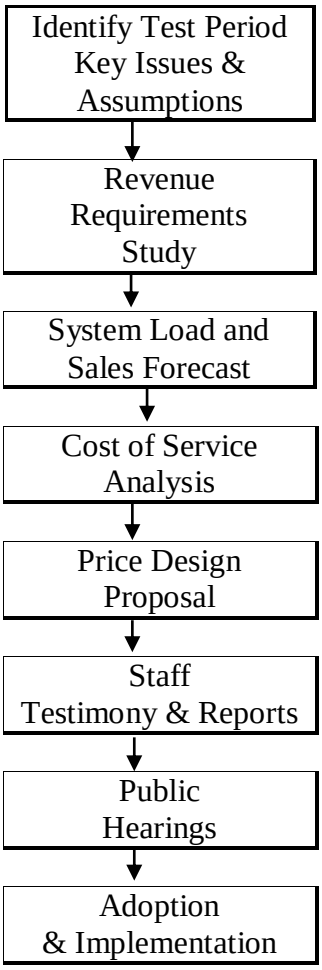
The second standard requires that prices and charges for utility service be fair and non-discriminatory. Prices are considered non-discriminatory when customers receiving like and synchronous service under similar circumstances are treated equally in the development and application of specific prices. 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 price design, allow EWEB to maintain prices at the lowest possible level consistent with sound financial principles and traditional utility price making practice. They also give EWEB's elected Board of Commissioners complete authority to approve prices that are cost-based, non-discriminatory, and in concert with the needs of EWEB customers.

Price Review Process

EWEB's water prices 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 price adjustment, EWEB staff is directed to prepare studies which determine appropriate price 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
Price Review Process



The first step in the price review process is a detailed examination of the projected operating expenses, capital costs, and anticipated revenues at current prices. The purpose of this effort is to confirm the overall revenue requirements that serve as a basis for development of proposed prices, the timing of the proposed price adjustment, and the period of time (or "test period") over which the new prices 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 price 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 price 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. Price recommendations for each of EWEB's four major customer classes are documented in Section VI - Price Recommendations. For 2016 the COSA was updated for projected operating costs, sales forecasts and total revenue requirements. It was not used to allocate costs across the customer classes.

Public Notice and Hearings Schedule

EWEB's price 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 price change proposals, and provide an opportunity for the Board to hear and consider all public comments prior to approval and implementation of revised prices.

Concurrent with the budget approval process, two public hearings are scheduled to provide for official explanation of the price 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:

Publication Name	Date
The Register-Guard	October 30, 2015

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

Customers are invited to comment on EWEB's budget and price assumptions at public hearings throughout the budget development process. There are two scheduled public hearings specifically for the price proposals. The hearings will be held during the EWEB Board meetings on Tuesday, November 3, 2015 at 5:30 p.m. and Tuesday, December 1, 2015 at 5:30 p.m. at the EWEB Headquarters, 500 East 4th Avenue, in Eugene.

Written comments are also welcome and may be sent to the attention of Budget, EWEB's Fiscal Services Department, P.O. Box 10148, Eugene, OR 97440 or by email to Budget@EWEB.org. For timely consideration, written comments must be received prior to November 30, 2015 to ensure delivery to the Board prior to their scheduled action on the price 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 comment regarding proposed 2016 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 either, on or after February 1, 2016.

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

November 3, 2015 - 5:30 p.m.
December 1, 2015 - 5:30 p.m.

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

Specific rate recommendations for each customer class may be obtained on EWEB's website: http://www.eweb.org/boardmeetings or by calling EWEB's Fiscal Services Department at (541) 685-7000 or emailing budget@eweb.org. Copies of the budget document and rate proposals will be made available at the public hearings.

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. To ensure timely consideration, written comments must be received by November 30, 2015.

E-mail comments may be directed to: deborah.hart@eweb.org.

II. BACKGROUND INFORMATION

A. Organizational Structure

EWEB 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:

	Area	Term Expires December 31,
Steve Mital, President	Wards 1, 8	2016
John Simpson, Vice President	At Large	2018
John Brown	Wards 4, 5	2018
Richard Helgeson	Wards 2, 3	2016
James Manning	Wards 6, 7	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. 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 513 combined electric and water personnel as of third quarter 2015. 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:

Executive	Department
Roger Gray	General Manager

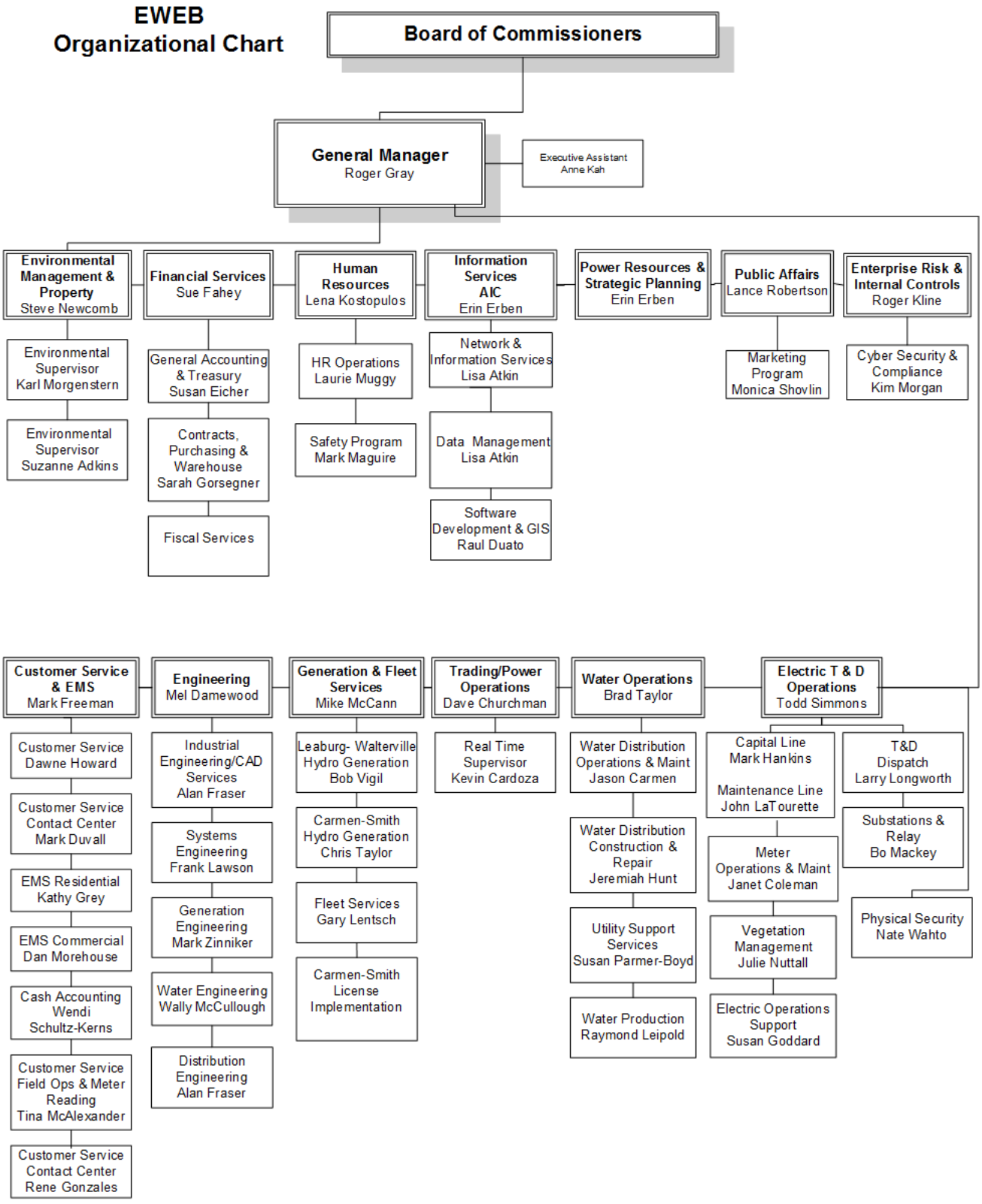
Leadership Team Member	Areas of Responsibility
Steve Newcomb	Environmental Management
Susan Fahey	Financial Services
Lena Kostopulos	Human Resources
Erin Erben	Information Services
Erin Erben	Power Resources & Strategic Planning
Lance Robertson	Public Affairs
Mark Freeman	Customer Service & Energy Management Services
Mel Damewood	Engineering
Mike McCann	Generation & Fleet Services
Dave Churchman	Trading & Power Operations
Brad Taylor	Water Operations
Todd Simmons	Electric Distribution Reliability & Facilities
Roger Kline	Enterprise Risk, Internal Controls and Business Process Improvement
Anne Kah	Executive Assistant to Board and GM

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 frequently with the Leadership Team members who hold regular meetings with their department staff to ensure employee productivity and efficient, effective 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.

Each year EWEB invites feedback through a customer survey. The survey included questions designed to specifically determine customer spending priorities. These and other survey results reaffirm the longstanding commitment EWEB has to deliver value to the citizens of the Eugene.

Figure 2



Updated: 10/16/15

B. Water System Highlights

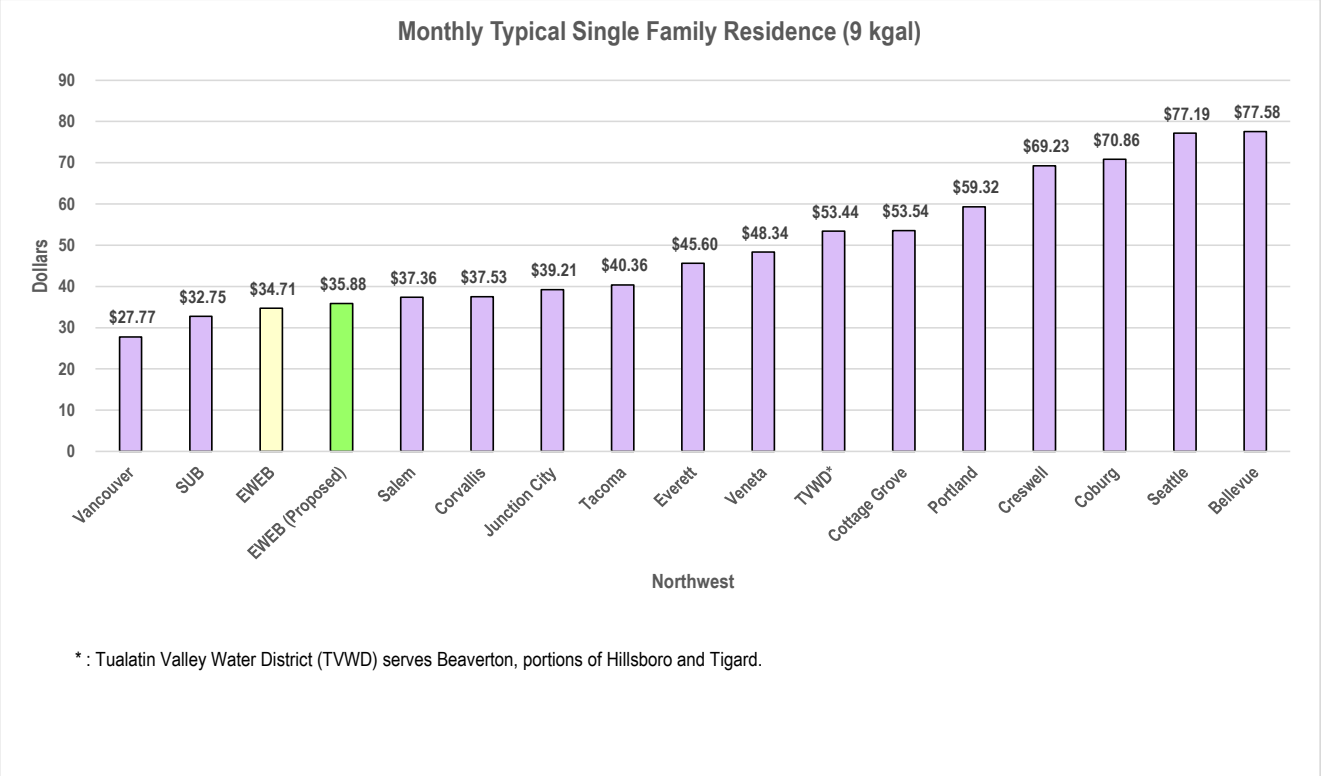
EWEB is the largest publicly owned utility in the state of Oregon. Founded by the citizens of Eugene in 1911, EWEB has remained a successful provider of essential utility services to the local community for over 100 years.

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 Price 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 $35.88 for EWEB in the figure is calculated using the proposed residential price.

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 2016 proposed budgeted expenses and revenue requirements which has been designated as the test period for the current price 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.

EWEB management and staff use a priority based budgeting (PBB) approach for budget development. This approach has served EWEB well in its effort to align budgets with EWEB's mission, strategic plan and customer priorities. 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. Each department is allocated a budget that is prepared in accordance with the PBB process and Board direction.

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 price adjustment.

A draft budget with explanations on variances from prior years is discussed with the EWEB Commissioners. The Board reviews the draft budget 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 managers and supervisors are required to expend funds in a manner consistent with approved budget estimates. Year-to-date balances are compared to budgets to ensure that costs continue to track as expected. Quarterly financial reports and any significant deviations are brought to the attention of the Board for review in accordance with Board Policy EL-1, Financial Controls. Year-end results are routinely checked against budgets, with differences noted for potential input to the next year's budget cycle.

B. Test Period Revenue Requirements

EWEB has designated calendar year 2016 as the "test period" for development of water system costs and revenues in this current price proposal. This corresponds with the annual expenditures included in the 2016 proposed Water Utility Budget. For the February 2016 price study, staff incorporated the projected sales, revenues and expenditure data from the proposed 2016 budget directly as a basis for this price proposal.

Table 1 contains a summary of the revenue requirements for the 2016 test period to be recovered through proposed water prices. Column "a" shows the financial results anticipated at current prices, while column "b" indicates the results obtained under management's price adjustment proposal. As indicated earlier, proposed prices are designed to increase operating revenues by 3.6%, in order to eliminate the deficit that would occur without a price adjustment. Column "c" reflects the percentage share of total revenues or costs represented by each category.

Table 1
Water System Revenue Requirements
For 2016 Test Period

	Current Prices (a)	Revenues at Proposed Prices (b)	% of Total (c)
Revenues			
Operating Revenues	$34,331,000	$35,574,000	87.64%
Bond Proceeds, Interest, and Other Income[1]	5,015,000	5,015,000	12.36%
Total	**39,346,000**	**40,589,000**	**100.00%**
Expenditures			
Operation & Maintenance			
Source of Supply	768,000	768,000	3.86%
Pumping	1,303,000	1,303,000	6.55%
Power for Pumping	982,000	982,000	4.94%
Purification	3,200,000	3,200,000	16.09%
Transmission & Distribution	7,947,000	7,947,000	39.96%
Customer Accounting	2,019,000	2,019,000	10.15%
Conservation	316,000	316,000	1.59%
Administrative & General	3,352,000	3,352,000	16.86%
Subtotal	**19,887,000**	**19,887,000**	**49.00%**
Other Expenditures			
Construction & Capital[2]	13,757,000	13,757,000	69.83%
Debt Service, Interest, and Amortization	6,186,000	6,186,000	31.40%
Balance Sheet Changes	(241,000)	(241,000)	-1.22%
Subtotal	**19,702,000**	**19,702,000**	**48.54%**
To Working Cash/ Reserves	**1,000,000**	**1,000,000**	**2.46%**
Revenue Requirements	**40,589,000**	**40,589,000**	**100.00%**
Surplus / (Deficiency)	**($1,243,000)**	**$0**	
As a % of Rate Revenue	**-3.6%**	**0%**	

[1] Includes System Development Charge Revenue

[2] Includes 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 price development process as a basis for allocation of operating costs and design of proposed prices 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 2016 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 prices and the results obtained for the 2016 test period.

B. Methodology and Procedures

In order to develop appropriate water prices, EWEB's annual system forecast must be translated into a detailed projection of monthly water sales and customer use characteristics for the upcoming price 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 price 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 price test period. Such review ensures that the sales forecast used in the price 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 price 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 are then applied to the initial aggregate utility forecast to produce a monthly projection of consumption by price class.

C. 2016 Forecast Results

The results of EWEB's forecast of sales for the 2016 price test period are summarized briefly below:

Table 2
Test Period Forecast of Water Utility
Customers & Sales by Price Class
For January through December 2016

Customer Class	Count	Kgal Sales (1,000 Gallons)	% of Sales
Residential - Inside City	44,600	3,759,191	49.4%
Residential - Outside City	486	48,634	0.6%
General Service - Inside City	4,791	2,958,849	38.9%
General Service - Outside City	199	137,322	1.8%
Water Districts	2	604,184	7.9%
Willamette Water Company	1	27,392	0.4%
City of Veneta	1	72,000	0.9%
Private Fire Lines **	1,010	N/A	N/A
Total	**51,090**	**7,607,572**	**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 price class to total system costs during the period for which prices are being developed. Study results also measure the degree of equity in prices 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 price levels and percentage adjustments for each customer class.

In accordance with industry standard, EWEB conducts a comprehensive COSA a minimum of every 3-5 years or when a major shift in COSA variables occurs, and performs an update to the COSA in the off years. The comprehensive Cost of Service study begins with a detailed assessment of the Utility's draft operating budget and revenue requirements for the upcoming price period. The current analysis uses the base information contained in the 2016 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 price class. Specific items are also identified for direct assignment when they are clearly associated with service to particular price classes.

The Cost of Service model breaks down the various demand and customer costs into sub-components to assign costs to individual price 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 price 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 price 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 price design.

B. Cost of Service Summary

As documented previously in Section III, Revenue Requirements Study, EWEB projects total operating expenses, capital costs, and reserve deposits for the Water Utility to be $40.6 million for the 2016 price test period. A net revenue requirement of $35.6 million remains after applying $5.0 million for bond proceeds, interest earnings and other non-retail revenues. At current prices, offsetting water sales revenue of $34.3 million leaves a remaining budget deficit of approximately $1.2 million to be recovered through the proposed price increase. This $1.2 million deficit translates directly to an increase in required price revenues during the test period.

VI. PRICE RECOMMENDATIONS

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

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

Revenue at current prices and proposed increases for each of EWEB's major customer classes are shown in the table below.

Staff is recommending that the revenue requirement be spread equally across all customer classes. The implementation of a new centralized fixed asset system and a new accounting reporting structure is capturing cost allocation information which will be used in developing future COSA.

Table 3
Cost of Service Summary

Customer Class	Price Schedule (s)	Revenue at Current Prices	Revenue at Proposed Prices	Percent Difference
Residential *	R-1, R-2	$18,760,645	$19,438,960	3.6%
General Service *	G-1, G-2	12,070,185	12,509,024	3.6%
Water Districts **	4	1,774,069	1,837,827	3.6%
Willamette Water Company	5	108,830	112,795	3.6%
City of Veneta	6	113,358	117,462	3.6%
Private Fire Lines		744,852	771,816	3.6%
Elevation Charges		759,378	786,597	3.6%
Total		**$34,331,317**	**$35,574,480**	**3.6%**

** For Residential and General Service, both the inside and outside customers are included in the customer classes.*

*** Water District Administration charges are not included in price revenues.*

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

The price increase for residential customers varies depending on consumption and meter size as illustrated in *Table 4*. The proposed increase for residential is almost entirely in the basic charge. For the standard 5.8" meter this is an increase of $1.17. The monthly elevation charge determined by pumping level is proposed to remain at $3, $5, and $7, depending on the level. At elevation, the proposal is to capture the 3.6% revenue requirement increase in the volumetric charge. *Table 5* provides information on price and monthly bill comparison using current and proposed prices 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 prices.

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

	Existing Price	Proposed Price	
Basic Charge			
5/8"	$19.20	$20.37	per month
3/4"	$19.98	$21.20	per month
1"	$25.92	$27.50	per month
1-1/2"	$39.66	$42.08	per month
2"	$71.06	$75.39	per month
3"	$160.08	$164.88	per month
Volume Charge			
First 8 kgal	$1.601	$1.601	per kgal
Next 22 kgal	$2.703	$2.703	per kgal
over 30 kgal	$4.378	$4.378	per kgal
Elevation Charge			
Pumping Level 1	$0.244	$0.249	per kgal
Pumping Level 2	$0.488	$0.499	per kgal
Pumping Level 3	$0.722	$0.738	per kgal

Table 5

EUGENE WATER & ELECTRIC BOARD
Price and Monthly Bill Comparison

RESIDENTIAL SERVICE WITHIN CITY LIMITS
SCHEDULE R-1

Meter Size	Monthly Kgal Level	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Dollar Difference	Percent Difference
5/8 inch					
	0	$19.20	$20.37	$1.17	6.1%
	1	$20.80	$21.97	1.17	5.6%
	2	$22.40	$23.57	1.17	5.2%
	3	$24.00	$25.17	1.17	4.9%
	4	$25.60	$26.77	1.17	4.6%
	5	$27.21	$28.38	1.17	4.3%
	6	$28.81	$29.98	1.17	4.1%
	7	$30.41	$31.58	1.17	3.8%
	8	$32.01	$33.18	1.17	3.7%
	9	$34.71	$35.88	1.17	3.4%
	10	$37.41	$38.58	1.17	3.1%
	12	$42.82	$43.99	1.17	2.7%
	15	$50.93	$52.10	1.17	2.3%
	20	$64.44	$65.61	1.17	1.8%
	25	$77.96	$79.13	1.17	1.5%
	30	$91.47	$92.64	1.17	1.3%
	35	$113.36	$114.53	1.17	1.0%
	40	$135.25	$136.42	1.17	0.9%
	45	$157.14	$158.31	1.17	0.7%

PRESENT PRICES	
Basic Charge	
5/8"	$19.20
1"	25.92
1 1/2"	39.66
2"	71.06
Volume $/gallons	
First 8,000 gallons	$1.60
Next 22,000 gallons	$2.70
All over 30,000 gallons	$4.38

PROPOSED PRICES	
Basic Charge	
5/8"	$20.37
1"	27.50
1 1/2"	42.08
2"	75.39
Volume $/gallons	
First 8,000 gallons	$1.60
Next 22,000 gallons	$2.70
All over 30,000 gallons	$4.38

Table 6

Calculation of the Revenues at Present and Proposed Prices

SCHEDULE R-1 - Residental Water Service Inside City Limits

Estimated 12 Months Ended December 31, 2016

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Prices [1]	Proposed Charge	Proposed Annual Revenue [1]
BASIC CHARGE						
5/8"	41,082	492,984	$19.20	$9,395,043	$20.37	$9,994,018
3/4"	218	2,616	$19.98	$51,880	$21.20	$55,193
1"	3,200	38,400	$25.92	$987,936	$27.50	$1,050,944
1 - 1/2"	94	1,128	$39.66	$44,404	$42.08	$47,239
2"	6	72	$71.06	$5,078	$75.39	$5,402
Total	44,600	535,200		$10,484,340		$11,152,796
VOLUME CHARGE						
First 8,000 gallons	64.6%	2,430,099	$1.601	$3,890,588	$1.601	$3,890,588
Next 22,000 gallons	27.4%	1,028,173	2.703	2,779,152	2.703	2,779,152
Over 30,000 gallons	8.0%	300,919	4.378	1,317,423	4.378	1,317,423
Total		3,759,191		$7,987,164		$7,987,164
Total Calculated Revenue				**$18,471,504**		**$19,139,960**
Revenue Increase						**$668,456**

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

Table 7

Calculation of the Revenues at Present and Proposed Prices

SCHEDULE R-2 - Residental Water Service Outside City Limits

Estimated 12 Months Ended December 31, 2016

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Prices [1]	Proposed Charge	Proposed Annual Revenue [1]
BASIC CHARGE						
5/8"	420	5,040	$24.95	$124,824	$26.50	$132,909
3/4"	2	24	$25.95	$618	$27.55	$658
1"	59	708	$33.70	$23,683	$35.75	$25,190
1 - 1/2"	4	48	$51.55	$2,456	$54.70	$2,613
2"	1	12	$92.40	$1,101	$98.00	$1,170
Total	486	5,832		$152,681		$162,540
VOLUME CHARGE						
First 8,000 gallons	61.6%	29,969	$2.081	$62,365	$2.081	$62,365
Next 22,000 gallons	30.3%	14,758	$3.514	51,860	3.514	51,860
Over 30,000 gallons	8.0%	3,907	$5.691	22,235	5.691	22,235
Total		48,634		$136,460		$136,460
Total Calculated Revenue				**$289,141**		**$299,000**
Revenue Increase						**$9,859**

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

Table 8
Calculation of the Revenues at Present and Proposed Prices
ELEVATION CHARGES - Consumption Charges
Estimated 12 Months Ended December 31, 2016

Pumping Level	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Prices [1]	Proposed Charge	Proposed Annual Revenue [1]
Residential Inside City						
1	All KGAL	414,112	$0.244	$100,498	$0.249	$103,000
2	All KGAL	212,170	$0.488	$102,980	$0.499	$105,745
3	All KGAL	126,107	$0.722	$90,551	$0.738	$92,956
Total		752,389		$294,029		$301,701
Residential Inside City						
1	All KGAL	2,420	$0.244	$587	$0.249	$602
2	All KGAL	7,271	$0.488	$3,530	$0.499	$3,624
3	All KGAL	12,540	$0.722	$9,005	$0.738	$9,244
Total		22,231		$13,122		$13,470
General Service Inside City						
1	All KGAL	68,623	$0.244	$16,648	$0.249	$17,067
2	All KGAL	15,075	$0.488	$7,314	$0.499	$7,513
3	All KGAL	5,991	$0.722	$4,300	$0.738	$4,416
Total		89,689		$28,263		$28,996
General Service Outside City						
1	All KGAL	1,151	$0.244	$279	$0.249	$286
2	All KGAL	0	$0.488	$0	$0.499	$0
3	All KGAL	592	$0.722	$424	$0.738	$436
Total		1,743		$702		$722
Total Calculated Revenue - Fixed				**$336,116**		**$344,889**

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

Table 9
Calculation of the Revenues at Present and Proposed prices
ELEVATION CHARGES - Meter Charges
Estimated 12 Months Ended December 31, 2016

Pumping Level	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Prices [1]	Proposed Charge	Proposed Annual Revenue [1]
Residential Inside City						
1	5,565	66,780	$3.00	$189,210	$3.00	$200,340
2	2,399	28,788	$5.00	$139,142	$5.00	$143,940
3	951	11,412	$7.00	$77,982	$7.00	$79,884
Total	8,915	106,980		$406,334		$424,164
Residential Outside City						
1	24	288	$3.00	$816	$3.00	$864
2	62	744	$5.00	$3,596	$5.00	$3,720
3	78	936	$7.00	$6,396	$7.00	$6,552
Total	164	1,968		$10,808		$11,136
General Service Inside City						
1	102	1,224	$3.00	$3,468	$3.00	$3,672
2	26	312	$5.00	$1,508	$5.00	$1,560
3	11	132	$7.00	$902	$7.00	$924
Total	139	1,668		$5,878		$6,156
General Service Outside City						
1	3	36	$3.00	$102	$3.00	$108
2	1	12	$5.00	$58	$5.00	$60
3	1	12	$7.00	$82	$7.00	$84
Total	5	60		$242		$252
Total Calculated Revenue - Fixed				**$412,454**		**$441,708**

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

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 price Schedule G-1. This price 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 prices and revenues at proposed prices. *Table 11* provides information on monthly bill comparisons at existing and proposed prices.

Table 10
Calculation of the Revenues at Present and Proposed Prices
SCHEDULE G-1 - General Service Water Service Inside City Limits
Estimated 12 Months Ended December 31, 2016

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Prices [1]	Proposed Charge	Proposed Annual Revenue [1]
BASIC CHARGE						
5/8"	1,595	19,140	$19.49	$369,849	$22.10	$418,831
3/4"	40	480	$20.28	$9,651	$23.00	$10,931
1"	1,373	16,476	$26.31	$429,776	$29.84	$486,797
1 - 1/2"	903	10,836	$40.24	$432,320	$45.63	$489,580
2"	555	6,660	$72.11	$476,151	$81.77	$539,227
3"	101	1,212	$162.45	$195,208	$184.22	$221,076
4"	55	660	$277.37	$181,501	$314.54	$205,552
6"	99	1,188	$416.20	$490,222	$471.97	$555,179
8"	67	804	$602.46	$480,241	$683.19	$543,876
10"	3	36	$850.89	$30,370	$964.91	$34,395
Total	4,791	57,492		$3,095,289		$3,505,443
VOLUME CHARGE						
All KGAL (1,000 gallons)		2,958,849	$2.745	$8,122,041	$2.745	$8,117,374
Total Calculated Revenue				**$11,217,330**		**$11,622,817**
Revenue Increase						**$405,488**
Average Cost per KGAL (1,000 gallons)				$3.79		$3.93

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

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

GENERAL SERVICE INSIDE CITY LIMITS
SCHEDULE G-1

	5/8" SERVICE			1" SERVICE			2" SERVICE			4" SERVICE			6" SERVICE		
Monthly Usage Level (KGAL)	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Diff.	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Diff.	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Diff.	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Diff.	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Diff.
0	$19.49	$22.10	13.4%												
5	33.22	35.83	7.9%												
10	46.94	49.55	5.6%	$53.76	$57.29	6.6%									
15	60.67	63.28	4.3%	67.49	71.02	5.2%									
20	74.39	77.00	3.5%	81.21	84.74	4.3%	$127.01	$136.67	7.6%						
25	88.12	90.73	3.0%	94.94	98.47	3.7%	140.74	150.40	6.9%						
30	101.84	104.45	2.6%	108.66	112.19	3.2%	154.46	164.12	6.3%						
40	129.29	131.90	2.0%	136.11	139.64	2.6%	181.91	191.57	5.3%						
50	156.74	159.35	1.7%	163.56	167.09	2.2%	209.36	219.02	4.6%	$414.62	$451.79	9.0%			
75				232.19	235.72	1.5%	277.99	287.65	3.5%	483.25	520.42	7.7%			
100				300.81	304.34	1.2%	346.61	356.27	2.8%	551.87	589.04	6.7%	$690.70	$746.47	8.1%
200				575.31	578.84	0.6%	621.11	630.77	1.6%	826.37	863.54	4.5%	965.20	1,020.97	5.8%
250				712.56	716.09	0.5%	758.36	768.02	1.3%	963.62	1,000.79	3.9%	1,102.45	1,158.22	5.1%
500							1,444.61	1,454.27	0.7%	1,649.87	1,687.04	2.3%	1,788.70	1,844.47	3.1%
750										2,336.12	2,373.29	1.6%	2,474.95	2,530.72	2.3%
1,000										3,022.37	3,059.54	1.2%	3,161.20	3,216.97	1.8%
1,500													4,533.70	4,589.47	1.2%
2,000													5,906.20	5,961.97	0.9%
2,500													7,278.70	7,334.47	0.8%

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

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

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

Table 12
Calculation of the Revenues at Present and Proposed Prices
SCHEDULE G-2- General Service Water Service Outside City Limits
Estimated 12 Months Ended December 31, 2016

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Prices [1]	Proposed Charge	Proposed Annual Revenue [1]
BASIC CHARGE						
5/8"	82	984	$25.35	$24,731	$28.75	$28,011
3/4"	0	0	$26.35	$0	$29.90	$0
1"	40	480	$34.20	$16,276	$38.80	$18,440
1 - 1/2"	18	216	$52.30	$11,201	$59.30	$12,683
2"	14	168	$93.75	$15,616	$106.30	$17,683
3"	5	60	$211.20	$12,564	$239.50	$14,229
4"	3	36	$360.60	$12,871	$408.90	$14,576
6"	8	96	$541.05	$51,497	$613.55	$58,321
8"	22	264	$783.20	$204,998	$888.15	$232,163
Total	192	2,304		$349,753		$396,104
VOLUME CHARGE						
All KGAL (1,000 gallons)		137,322	$3.569	$490,102	$3.569	$490,102
Total Calculated Revenue				**$839,855**		**$886,206**
Revenue Increase						**$46,351**
Average Cost per KGAL (1,000 gallons)				$6.12		$6.45

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

Table 13
EUGENE WATER & ELECTRIC BOARD
Price and Monthly Bill Comparison

GENERAL SERVICE OUTSIDE CITY LIMITS
SCHEDULE G-2

	5/8" SERVICE			1" SERVICE			2" SERVICE			4" SERVICE			6" SERVICE		
Monthly Usage Level (KGAL)	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Diff.	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Diff.	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Diff.	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Diff.	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Diff.
0	$25.35	$28.75	13.4%												
5	43.20	46.60	7.9%												
10	61.04	64.44	5.6%	$69.89	$74.49	6.6%									
15	78.89	82.29	4.3%	87.74	$92.34	5.2%									
20	96.73	100.13	3.5%	105.58	$110.18	4.4%	$165.13	$177.68	7.6%						
25	114.58	117.98	3.0%	123.43	$128.03	3.7%	182.98	$195.53	6.9%						
30	132.42	135.82	2.6%	141.27	$145.87	3.3%	200.82	$213.37	6.2%						
40	168.11	171.51	2.0%	176.96	$181.56	2.6%	236.51	$249.06	5.3%						
50	203.80	207.20	1.7%	212.65	$217.25	2.2%	272.20	$284.75	4.6%	$539.05	$587.35	9.0%			
75				301.88	$306.48	1.5%	361.43	$373.98	3.5%	628.28	676.58	7.7%			
100				391.10	$395.70	1.2%	450.65	$463.20	2.8%	717.50	765.80	6.7%	$897.95	$970.45	8.1%
200				748.00	$752.60	0.6%	807.55	$820.10	1.6%	1,074.40	1,122.70	4.5%	1,254.85	$1,327.35	5.8%
250				926.45	$931.05	0.5%	986.00	$998.55	1.3%	1,252.85	1,301.15	3.9%	1,433.30	$1,505.80	5.1%
500							1,878.25	$1,890.80	0.7%	2,145.10	2,193.40	2.3%	2,325.55	$2,398.05	3.1%
750										3,037.35	3,085.65	1.6%	3,217.80	$3,290.30	2.3%
1,000										3,929.60	3,977.90	1.2%	4,110.05	$4,182.55	1.8%
1,500													5,894.55	$5,967.05	1.2%
2,000													7,679.05	$7,751.55	0.9%
2,500													9,463.55	$9,536.05	0.8%

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. Prices include a basic and a volume charge. The proposed annual price increase averages approximately 3.6 % for all surplus water customers.

Table 14
Calculation of the Revenues at Present and Proposed Prices
SCHEDULE 4 - Service to Santa Clara and River Road Water Districts
Estimated 12 Months Ended December 31, 2016

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Prices [1]	Proposed Charge	Proposed Annual Revenue [1]
BASIC CHARGE						
4"	0	0	$0.00	$0	$499.70	$0
6"	5	60	$1,111.72	$64,653	$1,132.29	$67,320
8"	1	12	$1,919.82	$22,330	$1,955.34	$23,251
Total	6	72		$86,983		$90,571
VOLUME CHARGE						
Jan-April	All KGAL	375,342	$2.683	$383,733	$2.859	$654,259
May-June	All KGAL	118,917	$2.683	230,250	$2.859	N/A
July - Dec	All KGAL*	109,925	$2.859	1,073,103	$2.912	1,092,997
Total		604,184		$1,687,086		$1,747,256
Total Calculated Revenue				**$1,774,069**		**$1,837,827**
Revenue Increase						**$63,758**
Average Cost per KGAL (1,000 gallons)				$2.94		$3.04

* July 1, 2016 effective date

[1] Present and proposed revenues are based on six months of proposed price and six months of existing prices

Table 15

Calculation of the Revenues at Present and Proposed Prices

SCHEDULE 5 - Willamette Water Company

Estimated 12 Months Ended December 31, 2016

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Prices [1]	Proposed Charge	Proposed Annual Revenue [1]
BASIC CHARGE						
5/8"	5		$25.35	$1,505	$28.75	$1,708
3/4"	0		$26.35	$0	$29.90	$0
1"	1		$34.20	$406	$38.80	$461
1 - 1/2"	0		$52.30	$0	$59.30	$0
2"	0		$93.75	$0	$106.30	$0
3"	0		$211.20	$0	$239.50	$0
4"	0		$360.60	$0	$408.90	$0
6"	0		$541.05	$0	$613.55	$0
8"	1		$783.20	$9,298	$888.15	$10,553
Total	7			$11,209		$12,722
VOLUME CHARGE						
All KGAL (1,000 gallons		27,392	$3.581	$97,621	$3.660	$100,073
Total Calculated Revenue				**$108,830**		**$112,795**
Revenue Increase						**$3,964**
Average Cost per KGAL (1,000 gallons)				$3.97		$4.12

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

Table 16
Calculation of the Revenues at Present and Proposed Prices
SCHEDULE 6 - City of Veneta
Estimated 12 Months Ended December 31, 2016

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Prices	Proposed Charge	Proposed Annual Revenue [1]
BASIC CHARGE						
8"	1					
8"	2		$892.24	$21,414	$927.48	$22,189
Total	1			$21,414		$22,189
VOLUME CHARGE						
All KGAL (1,000 gallons)		72,000	$1.277	$91,944	$1.327	$95,576
Total Calculated Revenue				**$113,358**		**$117,765**
Average Cost per KGAL (1,000 gallons)						$1.64

[1] Proposed revenues include one month at existing prices and eleven months at proposed prices

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 price 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 $10.61 per month for each inch diameter of pipe with a $42.44 minimum charge. Prices charged to outside City customers are similarly based on the 4-inch size and are $13.51 per month per inch diameter with a $54.04 per month minimum.

In this proposal, management recommends a 3.6% change to fire line prices. Prices for fire lines are contained within the Customer Service Policy & Procedures for General Service Inside and Outside City.