



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Helgeson, Brown, Mital, Simpson and Carlson  
FROM: Sue Fahey, Chief Financial Officer; Deborah Hart, Fiscal Services Supervisor  
DATE: June 26, 2017  
SUBJECT: February 2015 Water Rate Revision  
OBJECTIVE: Information Only

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## **Issue**

At the June 6, 2017 Board meeting, Commissioners requested staff provide information regarding the Board's February 2015 Water revision discussions.

## **Background**

In December 2013, Commissioners approved a February 2014 Water rate change that included a three percentage point increase specifically to provide funding for costs associated with a second water source. The revenue from that increase represents approximately \$1 million annually and is being accounted for in the Board designated Alternate Water Supply Fund (AWS). With the exception of the Water Districts which by contract don't pay towards infrastructure until it is placed in service, all customers pay the additional 3%.

In December 2014, Commissioners discussed dedicating a portion or all of the February 2015 increase towards AWS. Staff contacted Lane Council of Governments (LCOG) to obtain the recording of the meeting in order to see if it provided information not included in the approved minutes. LCOG informed staff that they did not have a recording of that meeting.

Based on review of the minutes and Resolution No. 1420 revising water rates, Management believes that the February 2015 Water Rate revision did not include a portion dedicated to AWS. For your reference, the approved resolution and the applicable section of the December 2, 2014 meeting minutes are attached.

## **Recommendation/Requested Board Action**

Information only

Attachments: December 2, 2014 minutes – pages 5-7  
Resolution No. 1420

President Brown polled the Board for agreement with the above items. Commissioner Simpson clarified that for the COSA workshop, a 20-minute agenda item before April 15 would suffice. He received three head nods in agreement. Commissioner Helgeson added that he would prefer an update on ratemaking objectives such as when HDR made their presentation to the Board, and echoed Commissioner Simpson's previous request to hear more about the balance between art and science. The Board agreed that Commissioners Simpson and Helgeson would craft this item with General Manager Gray and staff for an information-only agenda item.

## **2015 PROPOSED BUDGETS, REVENUE REQUIREMENTS AND RATES**

Using overheads, Cathy Bloom, Finance Manager; Sue Fahey, Fiscal Services Supervisor; and Harvey Hall, Edward Yan and Deborah Hart, Senior Financial Analysts, reviewed the above proposals and answered clarifying questions and comments from the Board.

Vice President Mital and Commissioner Helgeson stated that they are still not clear about the 3% water rate increase as relates to build-up of reserves. Vice President Mital said he supports reduction in flexibility in this particular case and clearly stating to customers that the money is being set aside for one purpose only--an alternative water source (AWS).

Commissioner Manning stated that he would like to better understand how rates are affected by unfunded actuarial liability.

General Manager Gray gave a brief explanation of what rate increases were approved last year and how funds were allocated. He proposed that staff do a forecast on how much would be generated in excess, and come back to the Board with the audited financials and the reserve amount (in May 2015). He noted that 2015 expenditures will include costs for land acquisition, and that forecasting in the above way would provide the most transparency and less work for staff. He added that to restrict reserves in any other way would tie this Board and future Boards' hands.

Commissioner Helgeson reiterated that he wants to show customers what the rate burden of this would be, what the purpose is, and what it is spent on. He also reiterated that he wants any excess from a rate increase to go toward AWS. Vice President Mital agreed with Commissioner Helgeson.

Commissioner Simpson stated that he wants to get the message out that the Board is avoiding a huge rate increase in 2018 or 2019, and agreed with the emphasis on transparency.

General Manager Gray voiced agreement regarding dedicating the excess to AWS.

Ms. Bloom assured Commissioner Manning that the Board will receive follow-up information regarding unfunded actuarial liability and how that affects rates.

President Brown called for a 10-minute recess.

**PUBLIC HEARING – 2015 PROPOSED BUDGETS, REVENUE REQUIREMENTS AND RATES**

There was none.

**2015 BUDGETS, REVENUE REQUIREMENTS AND RATE ACTION – Resolutions #1418, 2015 Budget Action; #1419, 2015 Electric Rates; and #1420, 2015 Water Rates**

Commissioner Simpson noted that the budget improvement process has improved dramatically in the last few years, and briefly explained how the process has changed for the better. He noted that he will be voting yes for not only the budget but the planning, the process, etc.

It was moved by Commissioner Simpson, seconded by Commissioner Manning, to approve Resolution #1418.

Commissioner Helgeson voiced the desire to be sure that the previous discussion regarding funding for AWS was finished, and again asked for better clarity. He noted that he supports the proposed budget for prefers specifically designating a percentage for AWS.

A brief discussion ensued. Ms. Bloom recommended setting aside an amount far and above what is actually needed, and not a percentage. General Manager Gray suggested a discussion about the amount that is reserved vs. the amount projected to be spent.

Ms. Bloom suggested specific wording in the resolution for X amount at the time that staff returns to the Board in May.

Vice President Mital wondered if the electric and water budgets could be separated for purposes of approval of the resolution, as he supports the electric budget as proposed but isn't prepared to support the water budget. He then moved that Resolution #1418 be amended by crafting two separate resolutions—one that adopts the electric budget and one that adopted the water budget. This was seconded by Commissioner Helgeson.

General Manager Gray clarified that restriction of the rate action will not change the budget, and Vice President Mital was satisfied with that clarification.

Following a brief discussion, the vote was taken on Vice President Mital's motion to amend the Resolution. The motion failed unanimously (0-5).

The original motion for approval of Resolution #1418 was recalled. The motion passed unanimously (5-0).

Regarding Resolution #1419, it was moved by Commissioner Helgeson, seconded by Commissioner Simpson, to amend the resolution by adding the words "are proposed" to in the fourth Whereas statement. The vote passed unanimously (5-0).

It was moved by Commissioner Simpson, seconded by Commissioner Manning, to approve Resolution #1420.

Vice President Mital suggested amending the resolution to dedicate an amount here and now and have a discussion about the percentage, i.e., is 3% an accurate projection for dedication to AWS.

Ms. Bloom and General Manager Gray gave brief explanations of how the resolution could be reworded. The Board voted to extend the discussion time for this agenda item.

President Brown and Commissioner Simpson stated they wouldn't approve Vice President Mital's proposed amendment.

Vice President Mital offered a second suggestion for amending the wording in the resolution. Commissioner Helgeson agreed.

A vote was taken on the above motion to amend the Resolution. It failed 2-3 (Brown, Simpson and Manning voted no).

The original motion was recalled, with no change in the wording of the resolution. The motion passed unanimously (5-0).

## **2015 LEGISLATIVE AGENDA DISCUSSION**

Lance Robertson, Public Affairs Manager, and Jason Heuser, Legislative Representative, led the discussion. Mr. Robertson noted that Mr. Heuser is planning for the Board to spend a day at the legislature in order to meet the various local representatives, and referred to the backgrounder the Board had received which lists upcoming EWEB-related issues to come before the Legislature.

Mr. Heuser recapped the November election results as part of the discussion, and addressed clarifying questions and comments from the Board.

Commissioner Manning noted that he had read about de-incentivizing renewables in certain states. Mr. Heuser stated that distributed generation is not an issue at the national level but largely at the State level.

General Manager Gray added that staff will monitor this issue carefully as it applies to carbon responsibility, and that Mr. Heuser has been instrumental in sharing EWEB's carbon pricing position, though EWEB is not sponsoring a bill, per se.

**RESOLUTION NO. 1420  
DECEMBER 2014**

**EUGENE WATER & ELECTRIC BOARD  
FEBRUARY 2015 REVISED WATER RATES**

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

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

**WHEREAS**, the 2015 budgets and long-term financial plan indicate a revenue deficiency at current rates;

**WHEREAS**, a 4.9 percent overall average increase in water rate revenues is recommended to recover \$34.1 million of the \$41.5 million total revenue requirement in annual costs associated with the ongoing operation and maintenance of EWEB's water system;

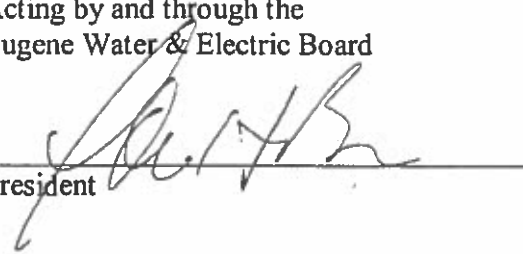
**WHEREAS**, in 2015, the Alternative Water Source (AWS) rate approved in 2013, is projected to add approximately \$1 million to the AWS designated fund;

**WHEREAS**, two presentations and public hearings on the water rate proposal were conducted on November 4, 2014 and December 2, 2014;

**NOW, THEREFORE, BE IT RESOLVED** that the Eugene Water & Electric Board hereby authorizes the General Manager to adjust water rates and reflect those rates in updated Policies & Procedures as presented in the February 2015 Water Rate Proposal

DATED this 2<sup>nd</sup> day of December 2014.

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

  
\_\_\_\_\_  
President

I, TARYN M. JOHNSON, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its December 2, 2014 Regular Board Meeting.

  
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Assistant Secretary