



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;
Jerry Reller and Nate Schultz, Senior Financial Analysts; Adam Rue, Senior
Energy Analyst
DATE: November 22, 2017
SUBJECT: 2018 Proposed Budgets, Revenue Requirements and Prices
OBJECTIVE: Approval of 2018 Budgets and Price Proposals

Issue

At the November 7, 2017 Board meeting, staff presented proposals for the Electric and Water Utilities' 2018 budgets and 2018 price changes. Additionally, the first of two public hearings on the 2018 proposed Electric and Water Utility budgets and price proposals was held. Based on Board direction, final proposals were prepared for the December meeting. The Board is required by statute to approve the Utility budgets, as represented in Attachment 1 of the proposed budget document, prior to January 1st.

Background

Budget

Over the last several years, both the Electric and Water Utilities have faced financial challenges. Those challenges have been managed by reducing and restructuring debt, designing prices that increase fixed cost recovery, strategically reducing O&M and capital costs, and prudently using reserves to strengthen financial metrics.

In 2017 an Affordability Initiative was launched in order to increase the value of EWEB's products and services and to better align sustainable spending levels to what our customer-owners expect. The initiative includes controlling costs by focusing work on those things most important and through efficiencies. As part of the initiative, O&M costs were strategically reduced, and both the Electric and Water Utilities used reserves to reduce debt. This work directly supports Phase I of the Strategic Plan to enhance customer confidence.

Financial savings initiatives over the last several years are summarized in Attachment 1.

At the November 7th Board meeting, staff presented draft budgets, a Water price proposal, and an Electric partial requirements service pricing update, that included several assumptions. Staff also

presented the revenue requirements associated with those assumptions and the resulting overall average price changes of 0% for the Electric Utility and of a 2.8 % reduction for the Water Utility. The Board directed staff to move forward with the budget assumptions in developing the 2018 proposed budgets for the Board's review in December. The key budget assumptions are provided in Attachment 2 and information regarding affordability and bill comparison are provided in Attachments 3 and 4.

Electric Price Proposal

The cost of service model results indicate that overall, no price changes are needed to meet revenue requirements. The results of the study indicate that current price variances by customer classes are within industry standards. Management continues to evaluate mitigation strategies for long-term liabilities with respect to the highest and best use of cash and reserves. Additionally, staff continues to monitor the residential forecast in light of the changing weather patterns in the Northwest. Given these variables, Management recommends using the gradualism and stability ratemaking principles and holding prices constant for all customer classes.

To support EWEB's longer term ongoing pricing redesign, staff engaged a customer advisory committee throughout 2017 to assist in the development of a pricing strategy for EWEB products. They provided valuable feedback which will be considered in the development of future pricing proposals for the residential customer class.

Last year, the Board approved^[1] a standby charge to address customer-owned generation and provide customers with a reasonable price signal for managing their power supply needs. This partial requirement pricing provides customers greater flexibility in their supply decisions while limiting financial exposure for the remaining non-generating customers from the impact of the generating customer's resource decisions. The current tariff was introduced in 2016 for rates effective January 1, 2017. This recommendation includes a proposal to modify rates effective January 1, 2018. There are currently no customers on the standby charge tariff.

The recommended revisions to the standby charge better align the pricing with the cost of service and provide customers with more effective price signals. Below is an overview of the changes in the rates proposed for 2018. See Attachment 5 for comparison to existing standby charges.

- First, the energy charge is set at the Utility's marginal cost (similar to the customer generation rate applicable for solar installations). The marginal costs have been further refined to incorporate time differentiated pricing. These will be updated annually.

^[1] Resolution No. 1635 approved unanimously 5-0 on December 6, 2016.

- Second, instead of the ratcheted demand, the proposal is to bill transmission and distribution-related grid services and facilities related costs in a gross demand (irrespective of generation) to better align the price signal with the facilities EWEB is standing ready to serve.
- Finally, because the marginal energy and transmission costs are lower than the embedded cost of service, EWEB is proposing a power indifference surcharge to ensure remaining customers are not held responsible for power contracts and generation investments made on behalf of the customers with generating facilities.

Water Price Proposal

In 2014, the Board approved a 3% price increase to Residential, General Service, and Private Fire Lines to assist in funding construction of the Willamette Treatment Plant (WTP). The 3% price increase for those customer classes resulted in an overall increase in revenue requirement of 2.7%. Since this project has been deferred, Management is recommending a price reduction for these customer classes in 2018. The resulting changes in cost allocations amongst customer classes, as indicated by the COSA, coupled with the reduction due to deferral of the WTP construction, are outlined in the proposed price changes below. In keeping with our 10-year strategic priorities, the Water Utility Capital Budget includes expenditures for water resiliency and emergency preparedness. Like the Electric Utility, proposed prices by customer class achieved each class allocated revenue requirement within industry standard accepted variances. Based on the proposed price changes, overall revenue will be reduced by 2.8%. Proposed price changes are as follows:

<u>Customer Class</u>	<u>Rate Schedule</u>	<u>Change Proposed</u>
Residential – Inside/Outside City	R-1, R-2	-4.5%
General Service – Inside/Outside City	G-1, G-2	-1.0%
River Road and Santa Clara Water Districts	4	0.0%
Willamette Water Company	5	0.0%
City of Veneta	6	-1.0%
Private Fire Lines		-1.5%
Pumping and Delivery Charges above the Base		0.0%
Overall Average Change		-2.8%

Requested Board Action

After the public hearing on the 2018 Budgets and Price Proposals, Management recommends approval of Resolutions No. 1733, 1734, and 1735 adopting the budgets and 2018 prices.

Attachment 1 – Financial Strategies 2012-2017

Attachment 2 – 2018 Key Budget Assumptions

Attachment 3 – Affordability Comparison

Attachment 4 – Average Bill Comparison

Attachment 5 – Proposed Standby Charge

Financial Savings Initiatives 2012-2017

2012

- Electric Utility introduced a rate stabilization fund to formally handle swings in revenue and expense due to natural fluctuation in hydro conditions.
- Extended hedging program from 3 years to 5 years

2013

- Position reductions - Over 50 FTE
- O&M reductions - \$7.5 million; Capital spending deferral \$60 million
- 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

- Position reductions - 20 FTE
- O&M reductions - \$3.6 million; Capital spending deferral or elimination \$20 million
- 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

- \$28.8 million 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 thousand in ongoing savings

2016

- Electric Utility realized savings of \$19 million from refunding bonds at lower interest rates
- Water Utility realized savings of \$5.6 million from refunding bonds at lower interest rates
- Electric Utility defeased \$28 million in additional debt using proceeds from Smith Creek and reserves
- Financial initiative adjustments: Electric Utility - \$2.6 million and Water Utility - \$337,000 in ongoing reductions

2017

- \$5.8 million savings from EWEB Workforce Transition Initiative
- Additional \$1.9 million of O&M savings
- Electric Utility defeased \$35 million in debt, saving \$3.2 million in debt service for 2018
- Water Utility paid \$11 million to the Electric Utility for reducing intercompany debt for an overall \$600,000 savings in debt service

2018 Key Budget Assumptions

Both Utilities

- 2% non-labor CPI increase
- Labor/Benefit Increases:
 - 3.5% wage escalation
- Health insurance increase – 0%
- Financial Initiative Adjustments
 - Electric total ongoing savings \$9.4 million reductions
 - \$6.2 million O&M
 - \$3.2 million debt service
 - Water total ongoing savings \$2.1 million reductions
 - \$1.5 million O&M
 - \$600,000 debt service
- Education grants approximately \$500,000

Electric

- Retail load approximately the same as 2017 budget – 2.4 million MWh
- \$1 million reduction in contingency
- 2018 contribution margin risk tolerance of \$2.7 million which represents 90% generation, 2.1% load reduction or 40% wholesale price reduction
- \$22 melded mid-market price curve
- \$1.4 million contribution margin reduction due to increased Snake and Columbia River dam spills for fish migration
- \$250,000 increase in conservation incentives
- Partial year Carmen-Smith generation outage
- No overall average price change

Water

- Consumption: 7.8 million KGAL
 - 200,000 KGAL greater than 2017 budget
 - 8 year average, 8.1 million KGAL
- No longer collect 3% 2014 price increase dedicated to AWS
- Contribution margin risk tolerance of \$750 thousand
 - Represents the difference between budgeted consumption and the 8 year average
 - 100 thousand KGAL represents approximately \$250 thousand

Median Household Income (MHI) %

Background

The Board has requested staff provide bill affordability information. To prepare this information, *Assessment of Affordability of Residential Rates* (Glenn Barnes and Shadi Eskaf; Environmental Finance Center at the University of North Carolina, Chapel Hill; 2016) was used.

The approach uses the local community's median household income (MHI) and is based on the following data:

1. Current monthly water and electric bill at average residential consumption per month.
2. Annual bills at same level of use.
3. Median Household Income in 2015.

Currently, there is no national standard for what affordable percent (%) of MHI value is or is not. When using this assessment, consideration must be given to financial sustainability of the utility as a whole in addition to affordability of price. Setting artificially low prices may produce financial constraints to reinvesting in the system and eventually harm public health through poor product quality and service.

To address the limited income customer-owner bill impact, EWEB has maintained a customer care program for many years that provides assistance for bill payment and weatherization programs.

Included below are the combined average water and electric bill for residential customers (water is 7 KGAL and electric is 1050 kWh) in Eugene, Portland, Medford, Everett, Vancouver, Tacoma, and Seattle. This average is annualized and compared as a percentage of MHI.

The percent of MHI for EWEB has risen slightly over last year (base on proposed price decrease), from 4.0% to 4.02%. This is due to a fall in household income.

<u>Eugene, Oregon Consumption & MHI</u>	<u>Current Prices</u>
Monthly water & electric bills at overall average residential consumption/month	\$144.50
Annual bills at same level of use	\$1,734
Median Household Income in 2015 for Eugene, OR	\$43,101
Water & Electric % MHI	4.02%
<u>Portland, Oregon Consumption & MHI</u>	<u>Current Prices</u>
Monthly water & electric bills at overall average residential consumption/month	\$177.60
Annual bills at same level of use	\$2,131
Median Household Income in 2015 for Portland, OR	\$55,003
Water & Electric % MHI	3.87%

Medford, Oregon Consumption & MHI

Monthly water & electric bills at overall average residential consumption/month
Annual bills at same level of use
Median Household Income in 2015 for Medford, OR
Water & Electric % MHI

Current Prices

\$131.85
\$1,582
\$41,931
3.77%

Vancouver, Washington Consumption & MHI

Monthly water & electric bills at overall average residential consumption/month
Annual bills at same level of use
Median Household Income in 2015 for Vancouver, WA
Water & Electric % MHI

Current Prices

\$126.32
\$1,516
\$50,626
2.99%

Tacoma, Washington Consumption & MHI

Monthly water & electric bills at overall average residential consumption/month
Annual bills at same level of use
Median Household Income in 2015 for Tacoma, WA
Water & Electric % MHI

Current Prices

\$134.69
\$1,616
\$52,042
3.11%

Seattle, Washington Consumption & MHI

Monthly water & electric bills at overall average residential consumption/month
Annual bills at same level of use
Median Household Income in 2015 for Seattle, WA
Water & Electric % MHI

Current Prices

\$181.34
\$2,176
\$70,594
3.08%

Everett, Washington Consumption & MHI

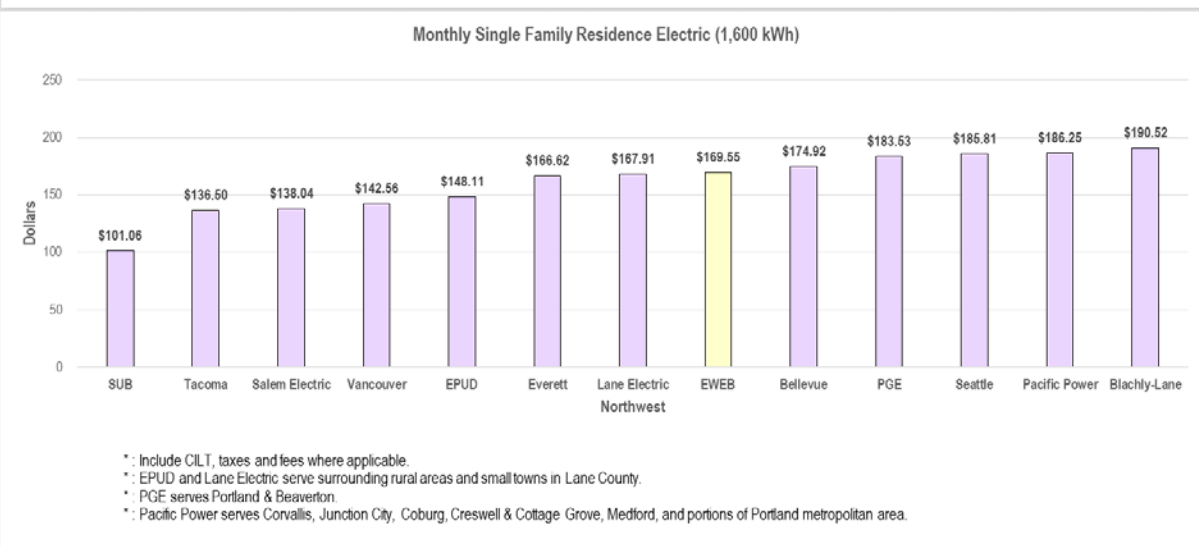
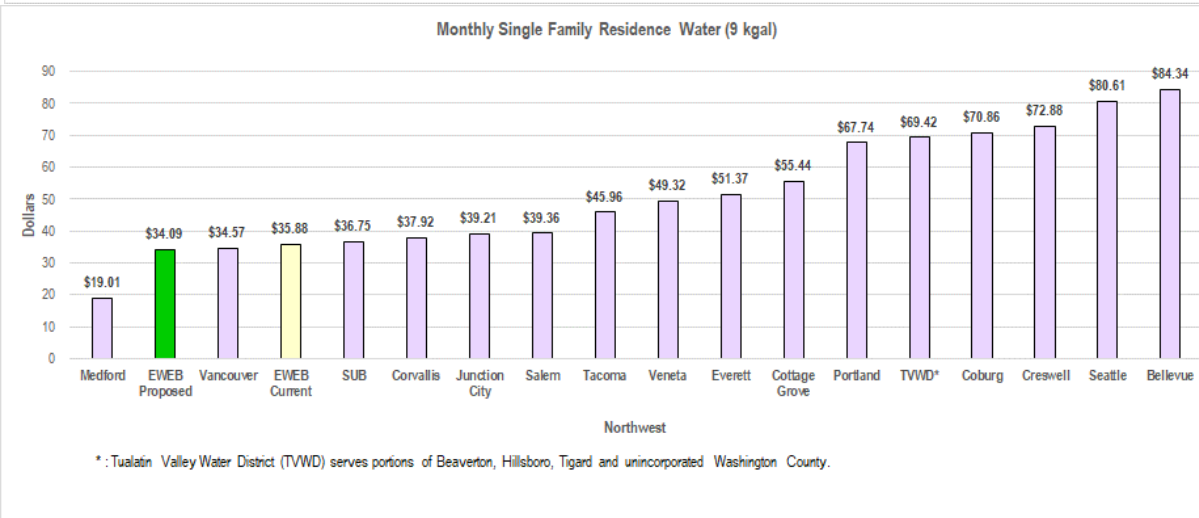
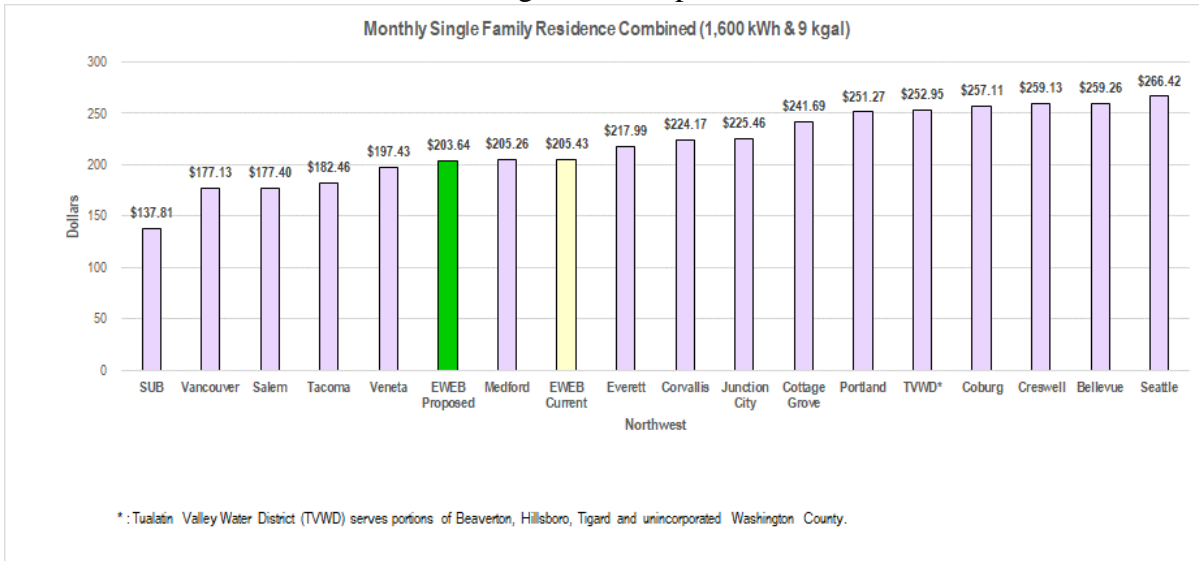
Monthly water & electric bills at overall average residential consumption/month
Annual bills at same level of use
Median Household Income in 2015 for Everett, WA
Water & Electric % MHI

Current Prices

\$149.30
\$1,792
\$49,578
3.61%

References: Assessment of Affordability of Residential Rates (Glenn Barnes and Shadi Eskaf; Environmental Finance Center at the University of North Carolina, Chapel Hill; 2016)

Average Bill Comparison



Proposed Standby Charge

	Existing Standby Charge	Proposed Marginal Cost Hybrid
Basic Charge	\$341.88 per month	\$358.70 per month
Demand Charge		
Per kW of total demand	\$1.09 per 18-mo kW	\$4.43 per gross kW
Demand Charge		
Monthly Demand	\$4.66 per kilowatt month	NA
Energy Cost	5.14 cents per kilowatt hour	
Summer – On-Peak		3.40 cents per kilowatt hour
Summer – Mid-Peak		2.31 cents per kilowatt hour
Summer – Off-Peak		1.54 cents per kilowatt hour
Shoulder – On-Peak		2.72 cents per kilowatt hour
Shoulder – Mid-Peak		2.19 cents per kilowatt hour
Shoulder – Off-Peak		1.79 cents per kilowatt hour
Winter – On-Peak		3.34 cents per kilowatt hour
Winter – Mid-Peak		2.89 cents per kilowatt hour
Winter – Off-Peak		2.42 cents per kilowatt hour
Power Cost Indifference Surcharge		
Per kW of total demand	NA	\$16.37 per gross kW

Eugene Water & Electric Board
2018 Proposed Budget
December 5, 2017



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Board of Commissioners

	<u>Ward</u>	<u>Term Expires First Meeting After</u>
Dick Helgeson, President	Wards 2, 3	2020
John Brown, Vice President	Wards 4, 5	2018
Steve Mital	Wards 1, 8	2020
John Simpson	At Large	2018
Sonya Carlson	Wards 6, 7	2020

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Board of Commissioners,

Letter to the Board of Commissioners

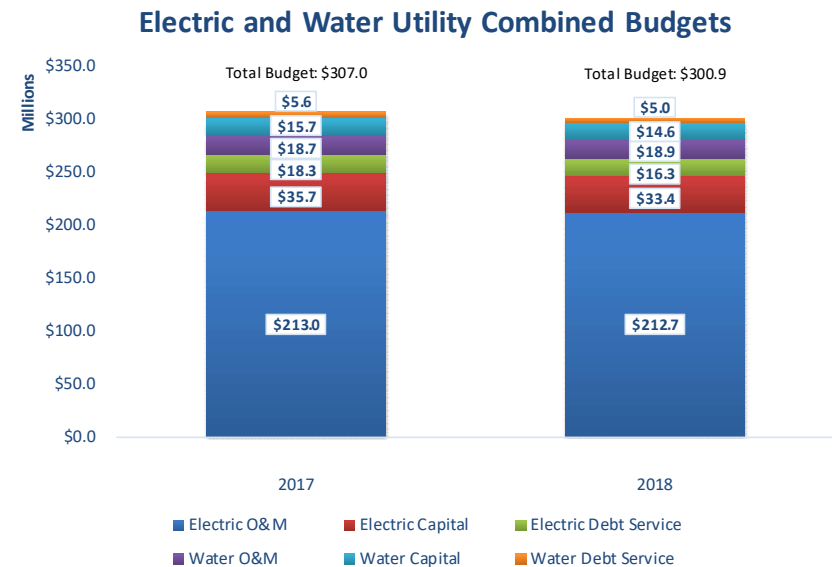
The 2018 Eugene Water & Electric Board Operations & Maintenance (O&M) and Capital & Debt Service proposed budgets totaling \$262.4 million for the Electric Utility and \$38.5 million for the Water Utility are submitted for your consideration and approval. The combined total for both Utilities is \$300.9 million which is approximately 2% below the 2017 budget. The reduction was accomplished even with an increase in purchased power costs by reducing and restructuring debt service obligations, strategically cutting operation and maintenance and capital costs, achieving lower than projected benefits increases, and prudently using reserves to strengthen financial metrics.

In 2017, Management identified a combined \$7.7 million in ongoing O&M expense reductions for both Utilities. Additionally, both Utilities restructured debt resulting in significant long-term savings. The Water Utility repaid debt that resulted in an annual reduction of debt service of \$600,000. The Electric Utility defeased (paid off) \$35 million of bonds with cash reserves, resulting in \$39 million of total debt service savings. The majority of these savings will be realized over the next several years, averaging \$3.8 million annually. This work demonstrates the commitment by the Board, Management, and staff to increase financial stability and provide a solid financial outlook for both Utilities as evident in the long-term financial plans. The proposed budgets include critical infrastructure rehabilitation, resiliency projects and high priority technology projects designed to enhance our customer-owners' ability to make informed choices. As EWEB considers multiple strategies to reduce costs and manage long-term obligations, the Utility must balance the reliability of its electric and water systems with reasonable risk.

The result of this work for the Electric Utility was the elimination of the projected 2.5% overall average price increase for 2018. Although the Electric Utility's long-term financial plan indicates future price increases to meet revenue requirements, the ten year compounded price increase dropped to 19% from last year's projection of 26%.

The Water Utility revenue requirements resulted in an overall average price reduction of 2.8%. In conjunction with cost containment efforts, this is primarily a result of the decision to defer major investment in a second treatment plant, concentrating instead on the delivery of emergency water supplies in the event of a disaster. The ten year compounded price increase dropped to 2.9% from last year's projection of 28.5%.

The following chart depicts the combined Electric and Water budgets for 2017 and 2018.



Lane County's economy is predicted to have moderate growth of 2.5% according to the September 2017 State of Oregon Employment Department, Economic Forecast. Industry sectors such as medical facilities, leisure and hospitality, construction and technology are planning growth and expansion in the near future. EWEB's *Integrated Electric Resource Plan* established goals and objectives related to the acquisition of generation and energy conservation resources over the next twenty years. It also established a framework to allow EWEB to adaptively respond to changing energy markets and development environments. The current plan, adopted in January 2012 and updated annually includes the following directions: (1) Pursue conservation to meet

forecasted load growth, and (2) develop strategies to partner with customers to reduce consumption to avoid the need for new peaking power plants. EWEB's adopted plan indicates the current supply of resources will meet its customer-owners' energy requirements for the next ten years. For the 2018 budget, base retail load will remain similar to 2017 levels.

The Water Utility's consumption is budgeted at 3.1% higher than the 2017 budget. The last three years' consumption has been higher than budgeted, and prior price redesign to increase fixed cost recovery helps shelter the Utility from revenue losses in low consumption years.

The Electric and Water Utilities' financial challenges have been very different over the last few years. Increased debt costs for rehabilitation of aging infrastructure, as well as renewable power investments, made achieving debt service coverage targets for the Electric Utility difficult. Over the last three years, Management has proactively taken actions to reduce debt service costs:

- Paid off \$28 million debt issued to purchase a share of Harvest Wind Project (2015)
- Applied proceeds from the Smith Creek Project sale plus cash reserves to pay off \$29 million debt (2016)
- Refunded \$126 million of bonds which resulted in savings of \$19 million (2016)
- Defeased \$35 million in debt, using cash reserves, resulting in an annual debt service savings of \$3.2 million (2017)

These actions resulted in significant improvement to the debt service coverage (DSC) ratio which continues to be the Electric Utility's biggest financial challenge in subsequent years of the long term financial plan.

The Water Utility does not have a large debt burden and while cash reserves historically have been low, in 2015 they reached and exceeded Board targets. Actions taken by the Board have increased financial stability over the last four years. Both Utilities' challenges have been managed by strategically reducing costs,

designing price structures that increase fixed cost recovery, asset sales, and/or prudently using reserves to strengthen financial metrics.

EWEB continues to be a strong community partner as evidenced by its Community Care Program that provides bill payment assistance for limited income customers of approximately \$1.5 million. Additionally, EWEB provides approximately \$500,000 annually in grants to local schools.

Electric Utility

Overview

The Electric Utility has surplus power which is sold into the secondary markets. A continuation of depressed prices for the sale of surplus power has resulted in historically low wholesale revenues. 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 and biomass) which is more expensive than the historical hydro generation. Those investments and the bonds issued for infrastructure rehabilitation and replacements increased debt service costs and put pressure on financial metrics. As noted previously, the debt management work has significantly reduced that pressure.

Operations & Maintenance Budget

The proposed 2018 Electric O&M budget is \$212.7 million versus the 2017 O&M budget of \$213 million. The slight decrease is driven by \$6.2 million in O&M Expense reductions mostly offset by higher Purchased Power expense due to a BPA cost increase and other purchased power contractual escalations, the addition of Fiber expenses that were previously considered capital in accordance with accounting regulations, and standard inflationary increases. The budget assumes a contribution margin risk tolerance of \$2.7 million which protects the Utility against revenue declines that are beyond its control. This allows hydro generation to drop to 90%, a 2.1% load reduction, or 40% wholesale price reduction before revenues dropped below budget levels. Given its surplus power position, EWEB has a strong hedging program designed to protect

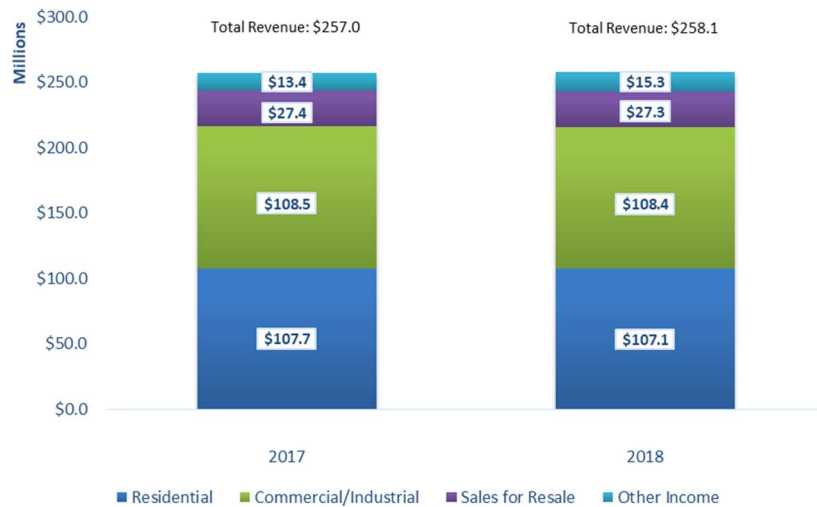
the Utility from falling wholesale prices which mitigates the potential budget impact.

The budget includes an \$11.6 million deposit to reserves. In 2018, staff will make recommendations regarding use of reserves above target to align with the Board approved strategic plan and maintain or improve the Utility’s financial position.

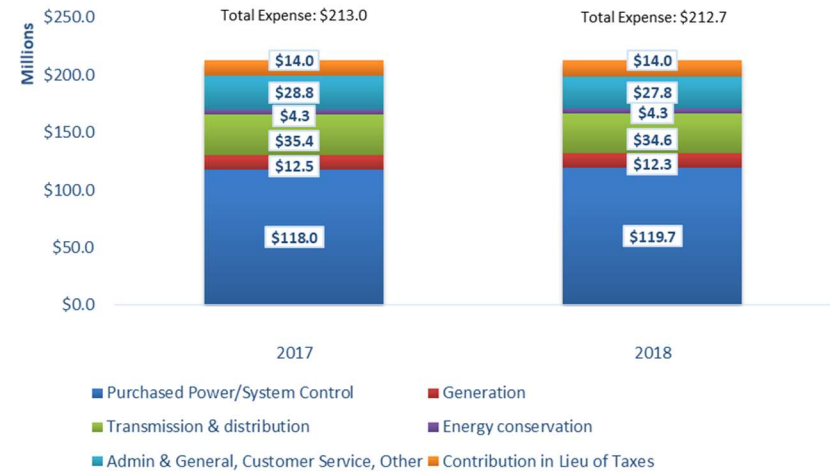
On the revenue side, the only significant change between 2017 and 2018 was in other revenues due to a \$1.4 million project that was deemed to be O&M in accordance with accounting regulations, moving the associated reimbursement from contribution in aid in the capital budget.

The following two charts compare the Electric 2017 and 2018 O&M revenue and expense budgets.

Electric Utility Budgeted Revenues



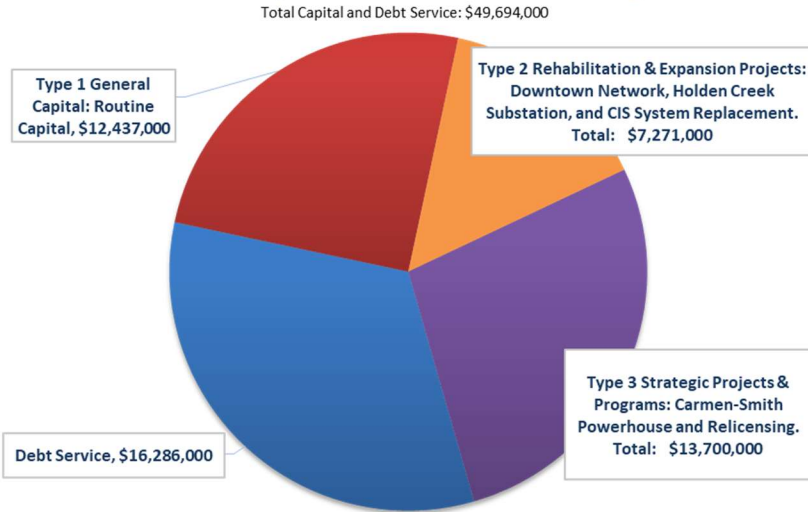
Electric Utility Budgeted Operations & Maintenance Expenses



Capital and Debt Service Budget

The Electric Capital and Debt Service budget of \$50 million is \$4.3 million less than the 2017 budget. This is primarily due to the \$3.2 million debt service savings from defeasance of debt, and the removal of a \$1.4 million project that was deemed to be O&M in accordance with accounting regulations. The following chart details the budget by type of cost.

Electric Capital and Debt Service Budget



General capital work targets replacing aging infrastructure in an effort to maintain, but not improve reliability. Major rehabilitation and expansion work includes resiliency projects such as the Holden Creek Substation construction, and replacement of the Customer Information System (CIS). Approximately \$17.4 million of the capital work will be funded with electric rates. Additional detail on the capital budget is included in Attachment 1.

Water Utility

Overview

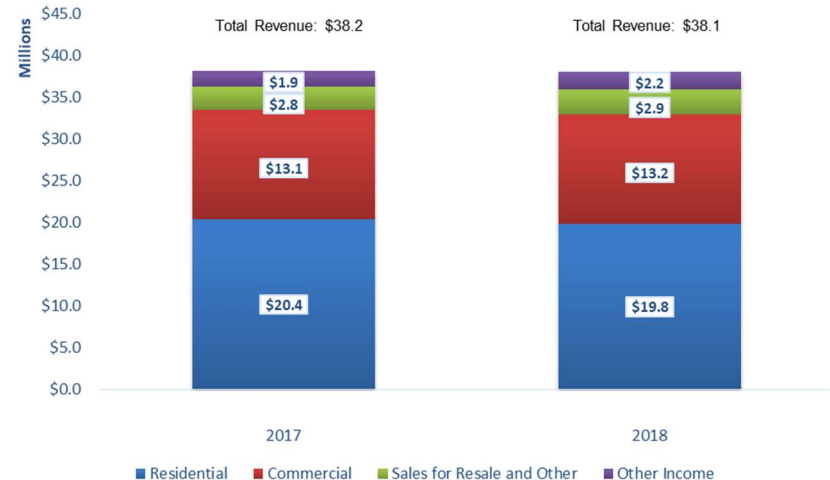
Like many Northwest water utilities, EWEB has aging infrastructure that needs replacement in order to reliably deliver safe, high quality water to customers. The extensive capital required to operate a large filtration plant and maintain about 800 miles of distribution pipes comes with high fixed costs. In an effort to increase the Water Utility's financial stability, over the last several years the Board has approved a price design that improved fixed cost recovery and adopted a price smoothing strategy. This, coupled with cost savings and higher than budgeted sales, has allowed the Utility to build reserves which will be strategically used to help the Utility maintain its recently achieved strong financial metrics.

Operations & Maintenance Budget

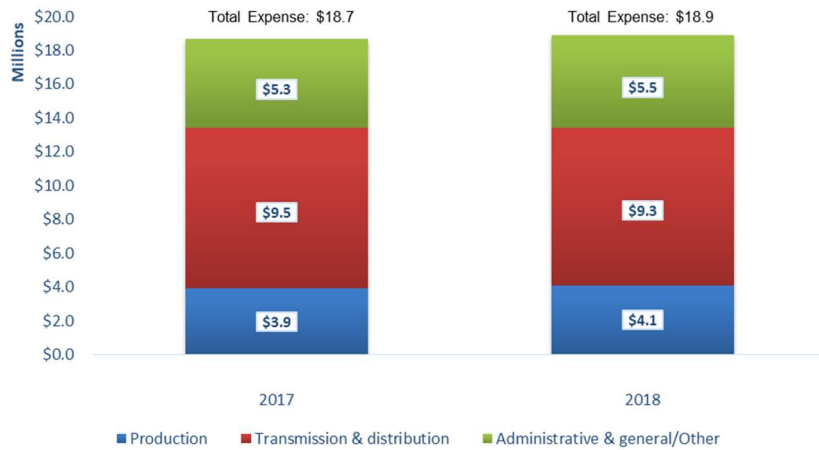
The 2018 Water Utility O&M budget is \$18.9 million compared to \$18.7 million in 2017. The budget assumes sales of 7.8 million KGAL which is 3.1% higher than the 2017 budget. Over 55% of Water Utility revenues are derived from residential customers and 37% from commercial customers. The Water Utility can meet its revenue requirements with a budget that includes an overall average price decrease of 2.8%, which would be effective on bills rendered beginning February 2018. During the budget process, Management identified savings of about \$1.5 million. These were offset by an increase in fleet costs, inflationary increases, and moving costs for the consolidation of operations from Headquarters to the Roosevelt Operations Center. The net increase in expenses is \$200,000 compared to 2017.

The budget results in a \$6.0 million deposit to reserves, which the Board will allocate to specific reserve funds after the completion of the annual audit. The following charts compare the 2018 and 2017 Water Utility budgeted O&M Revenues and Expenses.

Water Utility Budgeted Revenues



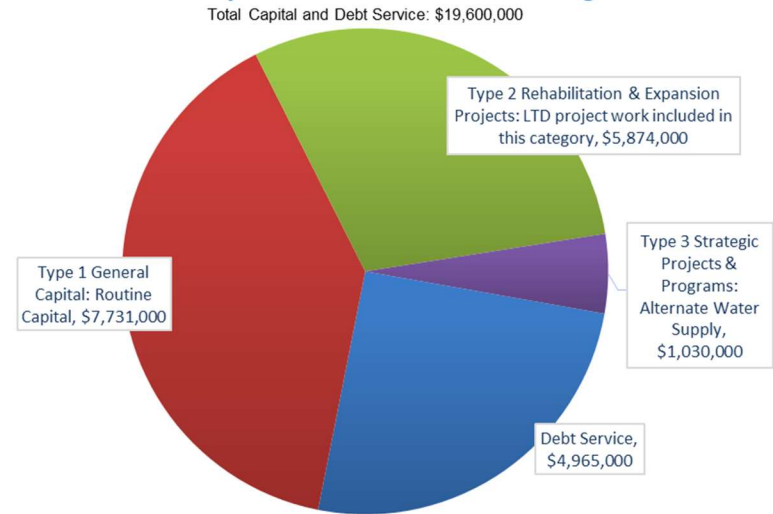
Water Utility Budgeted Operations & Maintenance Expenses



Capital and Debt Service Budget

The Water Capital and Debt Service budget of \$19.6 million reflects a decrease of approximately 8% from the 2017 budget. EWEB strategically reduced capital spending where planned replacement levels were higher than necessary to maintain a reliable system. EWEB continues to focus on improving resiliency by addressing critical aging infrastructure in the distribution system such as main improvements, pump stations, reservoirs, and the intake system at Hayden Bridge. The budget also includes funding for emergency preparedness projects. Depending on the type of project, funding is through water retail prices, customer contributions, or bonds. The debt service budget is \$619,000 less than the 2017 budget primarily due to repayment of intercompany debt.

Water Capital and Debt Service Budget



The 2018 budgets position both the Electric and Water Utilities to continue financial resiliency enhancements and to rise to the challenge of enhancing customer confidence, the first phase in EWEB’s strategic plan. As we implement the plan, we will be guided by our core values to provide safe and reliable drinking water and electricity, be responsible stewards of resources, and adhere to our commitment and obligation to serve our local community. I am proud how EWEB has rallied around this new focus, and want to thank EWEB management, staff, and commissioners for their assistance in helping EWEB achieve its mission “to enhance our community’s vitality by delivering drinking water and electric services consistent with the values of our customer-owners”.

I recommend the adoption of the 2018 Electric and Water Utility budgets presented in Attachment 1.

Respectfully submitted,

Frank Lawson, General Manager

Attachment 1

2018 Proposed Budgets



EUGENE WATER & ELECTRIC BOARD
ELECTRIC UTILITY OPERATIONS & MAINTENANCE BUDGET AND REVENUE REQUIREMENTS
2018 BUDGET COMPARED WITH 2017 BUDGET AND 2016 ACTUAL

	2018 Proposed Budget		2017 Approved Budget		2016 Actual	
	MWH	REVENUE	MWH	REVENUE	MWH	REVENUE
Residential	943,000	\$ 107,054,000	951,000	\$ 107,654,000	888,000	\$ 94,670,000
Commercial	884,000	78,587,000	864,000	78,729,000	883,000	77,475,000
Industrial	559,000	29,799,000	559,000	29,752,000	513,000	22,718,000
Retail sales	2,386,000	215,440,000	2,374,000	216,135,000	2,284,000	194,863,000
Wholesale sales ¹	1,561,000	27,267,000	1,395,000	27,414,000	1,876,000	42,799,000
Other Operating Revenues		7,383,000		6,952,000		7,588,000
Operating revenues	3,947,000	250,090,000	3,769,000	250,501,000	4,160,000	245,250,000
Other revenue		5,477,000		3,676,000		8,995,000
Interest earnings		2,465,000		2,766,000		3,848,000
Non-operating revenues		7,942,000		6,442,000		12,843,000
Total revenues		258,032,000		256,943,000		258,093,000
Purchased Power ¹		114,996,000		112,087,000		117,193,000
System control		4,692,000		5,918,000		5,658,000
Generation		12,338,000		12,487,000		11,486,000
Wheeling		13,795,000		13,430,000		12,273,000
Transmission & distribution		20,848,000		21,991,000		24,546,000
Customer accounting		7,050,000		8,422,000		8,027,000
Energy conservation		4,341,000		4,312,000		4,721,000
Administrative & general		22,040,000		22,454,000		21,865,000
Operating expenses		200,100,000		201,101,000		205,769,000
Contributions in lieu of taxes		14,012,000		14,036,000		- ²
Change in balance sheet accounts/ other expenses		(1,363,000)		(2,131,000)		37,401,000 ³
Non-operating expenses		12,649,000		11,905,000		37,401,000
Total operations and maintenance expenses		212,749,000		213,006,000		243,170,000
Rate funded capital		17,430,000		17,839,000		
Rate funded debt service		16,286,000		18,290,000		
Total rate funded capital related expenses		33,716,000		36,129,000		
Total rate funded expenses		246,465,000		249,135,000		
Revenues over/(under) expenses		\$ 11,567,000		\$ 7,808,000		
Deposit to (Draw on) Reserves:						
Deposit to Working Cash/Reserves		11,567,000 ⁴		7,808,000		
Net change in reserves		\$ 11,567,000		\$ 7,808,000		
				Change in Net Position		\$ 14,923,000 ⁵

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

² 2016 CILT included as contra revenue in revenue section.

³ Includes depreciation, other revenue deductions, interest and amortization expense, contribution in aid, and contributed plant assets

⁴ Board will allocate working cash above target to specific designated funds after annual audit

⁵ Actual results are not directly comparable to budget due to a difference in accounting treatment

Dollars rounded to nearest thousand.

**EUGENE WATER & ELECTRIC BOARD
ELECTRIC UTILITY CAPITAL AND DEBT SERVICE BUDGET
2018 BUDGET COMPARED WITH 2017 BUDGET**

	2018 Proposed Budget	2017 Approved Budget
Funding Source by Type		
<u>Source of Funds</u>		
Retail Revenue	\$ 17,430,000	\$ 17,839,000
Draw on Carmen Smith Reserves	-	2,910,000
Bond Proceeds	13,700,000	10,111,000
Customer Contributions in Aid	2,063,000	4,877,000
Grant Funding	215,000	-
Total Source of Funds	33,408,000	35,737,000
Expenditures by Type		
<u>Type 1- General Capital¹</u>		
Electric Infrastructure- Generation	2,020,000	1,196,000
Electric Infrastructure- Substations	1,435,000	1,741,000
Electric Infrastructure- Transmission & Distribution	6,690,000	9,020,000
General Plant- Information Technology	965,000	494,000
General Plant- Buildings & Land	390,000	1,074,000
General Plant- Fleet	510,000	1,000,000
Telecommunications	427,000	1,100,000
Total Type 1	12,437,000	15,625,000
<u>Type 2- Rehabilitation & Expansion Projects²</u>		
Downtown Network	1,026,000	1,000,000
Consolidation of Operations to Roosevelt Operations Center	615,000	-
Hayden Bridge Walterville Tie	45,000	-
Upriver Re-Configuration/ Holden Creek Substation	977,000	250,000
Information Technology (CIS, AMI)	4,288,000	5,902,000
Grid Edge Demonstration	320,000	-
Total Type 2	7,271,000	7,152,000
<u>Type 3- Strategic Projects & Programs³</u>		
Carmen Smith Relicensing	13,700,000	12,960,000
Total Type 3	13,700,000	12,960,000
Total Electric Capital Budget	33,408,000	35,737,000
Rate Funded Debt Service	16,286,000	18,290,000
Total Electric Capital and Debt Service Budget	\$ 49,694,000	\$ 54,027,000

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.

EUGENE WATER & ELECTRIC BOARD
WATER UTILITY OPERATIONS & MAINTENANCE BUDGET AND REVENUE REQUIREMENTS
2018 BUDGET COMPARED WITH 2017 BUDGET AND 2016 ACTUAL

	2018 Proposed Budget		2017 Approved Budget		2016 Actual	
	Gal (000)	REVENUE	Gal (000)	REVENUE	Gal (000)	REVENUE
Residential	3,798,000	\$ 19,773,000	3,685,000	\$ 20,406,000	3,926,000	\$ 20,758,000
Commercial	3,320,000	13,234,000	3,220,000	13,067,000	3,532,000	14,332,000
Sales for Resale and Other	682,000	2,905,000	664,000	2,842,000	714,000	3,868,000
Operating revenues	<u>7,800,000</u>	<u>35,912,000</u>	<u>7,569,000</u>	<u>36,315,000</u>	<u>8,172,000</u>	<u>38,958,000</u>
Other revenue		1,540,000		1,473,000		263,000
Interest income		630,000		395,000		253,000
Non-operating revenues		<u>2,170,000</u>		<u>1,868,000</u>		<u>516,000</u>
Total revenues		<u>38,082,000</u>		<u>38,183,000</u>		<u>39,474,000</u>
Production		4,085,000		3,861,000		5,745,000
Transmission & distribution		9,284,000		9,508,000		6,200,000
Customer accounting		1,278,000		1,672,000		1,494,000
Conservation		573,000		429,000		250,000
Administrative & general		3,906,000		3,591,000		4,255,000
Operating expenses		<u>19,126,000</u>		<u>19,061,000</u>		<u>17,944,000</u>
Change in balance sheet accounts/ other expenses		(230,000)		(345,000)		6,803,000 ²
Non-operating expenses		<u>(230,000)</u>		<u>(345,000)</u>		<u>6,803,000</u>
Total operations and maintenance expenses		<u>18,896,000</u>		<u>18,716,000</u>		<u>24,747,000</u>
Rate funded capital		8,179,000		9,234,000		
Rate funded debt service		4,965,000		5,584,000		
Total rate funded capital related expenses		<u>13,144,000</u>		<u>14,818,000</u>		
Total rate funded expenses		<u>32,040,000</u>		<u>33,534,000</u>		
Revenues over expenses		<u>\$ 6,042,000</u>		<u>\$ 4,649,000</u>		
Deposit to working cash/reserves		6,042,000 ¹		4,649,000		
Net change in reserves		<u>\$ 6,042,000</u>		<u>\$ 4,649,000</u>		
				Change in Net Position		<u>\$ 14,727,000³</u>

¹ Board allocates working cash above target to specific reserve funds after annual audit.

² Includes depreciation, other revenue deductions, interest and amortization expense, contribution in aid, and contributed plant assets

³ Actual results are not directly comparable to budget due to a difference in accounting treatment

Dollars rounded to nearest thousand.

**EUGENE WATER & ELECTRIC BOARD
WATER UTILITY CAPITAL AND DEBT SERVICE BUDGET
2018 BUDGET COMPARED WITH 2017 BUDGET**

	2018 Proposed Budget	2017 Approved Budget
Funding Source by Type		
<u>Source of Funds</u>		
Retail Revenue	\$ 8,179,000	\$ 9,234,000
Bond Proceeds	4,911,000	4,935,000
Customer Contributions in Aid	1,133,000	1,133,000
System Development Charges	412,000	412,000
Total Source of Funds	14,635,000	15,714,000
Expenditures by Type		
<u>Type 1 - General Capital¹</u>		
Source - Water Intakes & Filtration Plant	577,000	1,030,000
Distribution & Pipe Services	5,614,000	6,181,000
Distribution Facilities	896,000	1,339,000
Information Technology	245,000	196,000
Buildings, Land & Fleet	399,000	858,000
Total Type 1	7,731,000	9,604,000
<u>Type 2- Rehabilitation & Expansion Projects²</u>		
Source - Water Intakes & Filtration Plant	3,286,000	3,090,000
Distribution Facilities	1,663,000	1,277,000
Information Technology	790,000	1,213,000
Consolidation of Operations to Roosevelt Operations Center	135,000	-
Total Type 2	5,874,000	5,580,000
<u>Type 3- Strategic Projects & Programs³</u>		
Second Source	1,030,000	530,000
Total Type 3	1,030,000	530,000
Total Water Capital Budget	14,635,000	15,714,000
Rate Funded Debt Service	4,965,000	5,584,000
Total Water Capital and Debt Service Budget	\$ 19,600,000	\$ 21,298,000

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 2018 Budget Compared Prior Years



Eugene Water & Electric Board - Operations & Maintenance Budget: 2018

Summary

	2018 Proposed Budget		2017 Approved Budget		2016 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Building Operations, Physical Security and Fleet Services	23	\$6,645,000	31	\$8,336,000	27	\$6,457,000
Customer Service	75	15,115,000	103	17,706,000	88	14,098,000
Electric	121	22,271,000	123	22,316,000	125	24,693,000
Energy	62	156,979,000 ¹	60	151,614,000 ¹	70	165,143,000 ¹
Finance	45	8,561,000	48	9,033,000	55	9,496,000
General Manager	4	948,000	3	766,000	3	656,000
Human Resources	12	2,669,000	13	2,706,000	13	3,005,000
Information Services	53	10,471,000	57	10,681,000	58	10,698,000
Water	88	14,584,000	91	13,944,000	90	12,682,000
Total Operations and Maintenance Budget	483	\$238,243,000	529	\$237,102,000	529	\$246,928,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. Due to reorganizations in 2016 and 2017, FTE by division may not be comparable between years. Accordingly, budgeted and actual dollars may not directly align with FTE.

¹ 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.

Building Operations, Physical Security and Fleet Services

Operations & Maintenance Budget

	2018 Proposed Budget		2017 Approved Budget		2016 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	23	\$2,589,000	31	\$3,530,000	27	\$2,691,000
<u>Purchases</u>						
Stores Materials and Supplies		8,000		4,000		4,000
EWEB Equipment		794,000		772,000		882,000
Maintenance and Repairs		23,000		32,000		13,000
Equipment		10,000		4,000		12,000
Energy		680,000		700,000		590,000
Water		165,000		190,000		163,000
Fuels		25,000		90,000		42,000
Vehicle Fuel and Oil		447,000		410,000		348,000
Materials and Supplies		219,000		246,000		274,000
Technology / Office Equipment		106,000		119,000		40,000
Total Purchases		\$2,477,000		\$2,567,000		\$2,368,000
<u>Services</u>						
Contract Labor		71,000		12,000		448,000
Construction Agreements		690,000 ¹		1,262,000		628,000
Miscellaneous Services		32,000		16,000		29,000
Professional and Technical Services		590,000		734,000		191,000
Software/Hardware Maintenance and Services		80,000		78,000		64,000
Property Rent		5,000		4,000		5,000
Printing and Postage		1,000		35,000		2,000
Fees and Licenses		16,000		10,000		7,000
Training and Travel		58,000		52,000		24,000
Grants		36,000		36,000		-
Total Services		\$1,579,000		\$2,239,000		\$1,398,000
Total	23	\$6,645,000	31	\$8,336,000	27	\$6,457,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. Due to reorganizations in 2016 and 2017, FTE by division may not be comparable between years. Accordingly, budgeted and actual dollars may not directly align with FTE.

¹ Water source protection moved to Water Division

Customer Service

Operations & Maintenance Budget

	2018 Proposed Budget		2017 Approved Budget		2016 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	75	\$8,639,000	103	\$11,160,000	88	\$8,847,000
Purchases						
Stores Materials and Supplies		31,000		33,000		37,000
EWEB Equipment		273,000		200,000		218,000
Maintenance and Repairs		1,000		5,000		2,000
Materials and Supplies		78,000		77,000		58,000
Technology / Office Equipment		40,000		33,000		38,000
Total Purchases		\$423,000		\$348,000		\$353,000
Services						
Contract Labor		143,000		80,000		282,000
Conservation Measures and Incentives		2,540,000		2,199,000		2,542,000
Construction Agreements		-		1,000		2,000
Miscellaneous Services		81,000		122,000		86,000
Professional and Technical Services		1,015,000 ¹		669,000		266,000
Software/Hardware Maintenance and Services		152,000		170,000		172,000
Legal Services		62,000		23,000		40,000
Printing and Postage		56,000 ²		376,000		384,000
Fees and Licenses		2,000		7,000		4,000
Training and Travel		196,000		127,000		90,000
Grants		856,000		892,000		707,000
Uncollectable Accounts		- ³		542,000		323,000
Limited Income Services		950,000		990,000		-
Total Services		\$6,053,000		\$6,198,000		\$4,898,000
Total	75	\$15,115,000	103	\$17,706,000	88	\$14,098,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. Due to reorganizations in 2016 and 2017, FTE by division may not be comparable between years. Accordingly, budgeted and actual dollars may not directly align with FTE. Reductions from budget year 2017 to budget year 2018 are due to Affordability Initiative and reorganization.

¹ Education and incentive programs moved from Finance to Limited Income Services in Customer Service Division

² Printing and Postage for customer billing transferred to Information Services

³ Uncollectible accounts moved from Customer Service to Finance

Electric

Operations & Maintenance Budget

	2018 Proposed Budget		2017 Approved Budget		2016 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	121	\$14,716,000	123	\$15,225,000	125	\$14,858,000
Purchases						
Stores Materials and Supplies		356,000		376,000		472,000
EWEB Equipment		1,453,000		1,339,000		1,101,000
Maintenance and Repairs		38,000		32,000		74,000
Equipment		16,000		44,000		33,000
Energy		8,000		5,000		16,000
Water		15,000		15,000		33,000
Fuels		-		-		1,000
Vehicle Fuel and Oil		10,000		-		-
Materials and Supplies		670,000		395,000		437,000
Technology / Office Equipment		113,000		69,000		79,000
Total Purchases		\$2,679,000		\$2,275,000		\$2,246,000
Services						
Contract Labor		96,000		24,000		1,545,000 ¹
Construction Agreements		3,363,000		3,199,000		3,842,000
Miscellaneous Services		242,000		302,000		312,000
Professional and Technical Services		95,000		257,000		733,000 ¹
Software/Hardware Maintenance and Services		129,000		161,000		143,000
Property Rent		66,000		102,000		115,000
Printing and Postage		3,000		2,000		5,000
Fees and Licenses		650,000		548,000		677,000
Training and Travel		231,000		218,000		217,000
Grants		1,000		3,000		-
Total Services		\$4,876,000		\$4,816,000		\$7,589,000
Total	121	\$22,271,000	123	\$22,316,000	125	\$24,693,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. Due to reorganizations in 2016 and 2017, FTE by division may not be comparable between years. Accordingly, budgeted and actual dollars may not directly align with FTE.

¹ Includes storm restoration expenses to be partially reimbursed by FEMA

Energy

Operations & Maintenance Budget

	2018 Proposed Budget		2017 Approved Budget		2016 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	62	\$8,361,000	60	\$8,119,000	70	\$9,174,000
Purchases						
Stores Materials and Supplies		9,000		7,000		21,000
EWEB Equipment		527,000		544,000		539,000
Maintenance and Repairs		22,000		13,000		119,000
Equipment		15,000		80,000		22,000
Energy		124,065,000		118,683,000		132,832,000
Water		3,000		2,000		1,000
Fuels		1,568,000		1,633,000		1,114,000
Vehicle Fuel and Oil		-		6,000		-
Materials and Supplies		211,000		182,000		190,000
Technology / Office Equipment		15,000		16,000		28,000
Total Purchases		\$126,435,000		\$121,166,000		\$134,866,000
Services						
Contract Labor		71,000		176,000		52,000
Wheeling		13,795,000		13,430,000		12,273,000
Construction Agreements		4,336,000		4,596,000		3,630,000 ¹
Miscellaneous Services		345,000		465,000		509,000
Professional and Technical Services		1,910,000		1,710,000		2,187,000
Software/Hardware Maintenance and Services		684,000		754,000		855,000
Property Rent		137,000		124,000		289,000
Legal Services		170,000		298,000		498,000
Printing and Postage		3,000		1,000		2,000
Fees and Licenses		530,000		518,000		264,000
Insurance		-		15,000		-
Training and Travel		202,000		242,000		240,000
Grants		-		-		304,000
Total Services		\$22,183,000		\$22,329,000		\$21,103,000
Total	62	\$156,979,000	60	\$151,614,000	70	\$165,143,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. Due to reorganizations in 2016 and 2017, FTE by division may not be comparable between years. Accordingly, budgeted and actual dollars may not directly align with FTE.

¹ Increase is due to deferring the Manufactured Coal-Gas Plant cleanup project. 2018 will be partially reimbursed

Finance

Operations & Maintenance Budget

	2018 Proposed Budget		2017 Approved Budget		2016 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	45	\$5,462,000	48	\$6,071,000	55	\$5,487,000
Purchases						
Stores Materials and Supplies		2,000		2,000		113,000
EWEB Equipment		22,000		26,000		23,000
Maintenance and Repairs		7,000		7,000		-
Materials and Supplies		26,000		37,000		32,000
Technology / Office Equipment		14,000		17,000		5,000
Total Purchases		\$71,000		\$89,000		\$173,000
Services						
Contract Labor		127,000		10,000		3,000
Miscellaneous Services		91,000		87,000		73,000
Professional and Technical Services		1,150,000 ¹		1,580,000		1,514,000
Software/Hardware Maintenance and Services		67,000		143,000		78,000
Property Rent		1,000		1,000		1,000
Legal Services		190,000		165,000		180,000
Printing and Postage		1,000		1,000		1,000
Fees and Licenses		61,000		49,000		58,000
Insurance		775,000		750,000		777,000
Training and Travel		81,000		87,000		71,000
Uncollectable Accounts		484,000 ²		-		7,000
Limited Income Services		-		-		1,073,000
Total Services		\$3,028,000		\$2,873,000		\$3,836,000
Total	45	\$8,561,000	48	\$9,033,000	55	\$9,496,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. Due to reorganizations in 2016 and 2017, FTE by division may not be comparable between years. Accordingly, budgeted and actual dollars may not directly align with FTE.

¹ Education and incentive programs moved from Finance to Limited Income Services in Customer Service Division

² Uncollectible accounts moved from Customer Service to Finance

General Manager

Operations & Maintenance Budget

	2018 Proposed Budget		2017 Approved Budget		2016 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	4	\$784,000	3	\$585,000	3	\$464,000
<u>Purchases</u>						
Materials and Supplies		11,000		14,000		18,000
Technology / Office Equipment		4,000		5,000		3,000
Total Purchases		\$15,000		\$19,000		\$21,000
<u>Services</u>						
Contract Labor		-		-		24,000
Miscellaneous Services		37,000		50,000		40,000
Professional and Technical Services		9,000		11,000		72,000
Software/Hardware Maintenance and Services		-		-		1,000
Legal Services		-		6,000		5,000
Printing and Postage		5,000		5,000		2,000
Training and Travel		64,000		78,000		22,000
Grants		34,000		12,000		5,000
Total Services		\$149,000		\$162,000		\$171,000
Total	4	\$948,000	3	\$766,000	3	\$656,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. Due to reorganizations in 2016 and 2017, FTE by division may not be comparable between years. Accordingly, budgeted and actual dollars may not directly align with FTE.

Human Resources

Operations & Maintenance Budget

	2018 Proposed Budget		2017 Approved Budget		2016 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	12	\$1,701,000	13	\$1,897,000	13	\$1,769,000
Purchases						
Equipment		2,000		-		-
Materials and Supplies		57,000		28,000		52,000
Technology / Office Equipment		20,000		17,000		19,000
Total Purchases		\$79,000		\$45,000		\$71,000
Services						
Contract Labor		10,000		10,000		21,000
Construction Agreements		6,000		6,000		6,000
Miscellaneous Services		27,000		48,000		68,000
Professional and Technical Services		550,000 ¹		400,000		684,000
Software/Hardware Maintenance and Services		75,000		75,000		238,000
Legal Services		130,000		130,000		94,000
Printing and Postage		3,000		5,000		3,000
Insurance		-		-		1,000
Training and Travel		88,000		90,000		48,000
Grants		-		-		2,000
Total Services		\$889,000		\$764,000		\$1,165,000
Total	12	\$2,669,000	13	\$2,706,000	13	\$3,005,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. Due to reorganizations in 2016 and 2017, FTE by division may not be comparable between years. Accordingly, budgeted and actual dollars may not directly align with FTE.

¹ Includes implementation budget for Human Resource Information System

Information Services

Operations & Maintenance Budget

	2018 Proposed Budget		2017 Approved Budget		2016 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	53	\$6,747,000	57	\$7,231,000	58	\$6,740,000
<u>Purchases</u>						
Materials and Supplies		16,000		12,000		15,000
Technology / Office Equipment		169,000		243,000		404,000
Total Purchases		\$185,000		\$255,000		\$419,000
<u>Services</u>						
Contract Labor		5,000		135,000		147,000
Construction Agreements		5,000		-		-
Miscellaneous Services		197,000		159,000		143,000
Professional and Technical Services		357,000 ¹		1,020,000		625,000
Software/Hardware Maintenance and Services		2,434,000 ¹		1,597,000		2,304,000
Printing and Postage		326,000 ²		-		-
Fees and Licenses		70,000		46,000		140,000
Training and Travel		145,000		238,000		180,000
Total Services		\$3,539,000		\$3,195,000		\$3,539,000
Total	53	\$10,471,000	57	\$10,681,000	58	\$10,698,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. Due to reorganizations in 2016 and 2017, FTE by division may not be comparable between years. Accordingly, budgeted and actual dollars may not directly align with FTE.

¹ Reallocation of budget between Professional and Technical Services and Software/Hardware Maintenance and Services to more accurately reflect anticipated expenditures.

² Printing and Postage transferred from Customer Service

Water

Operations & Maintenance Budget

	2018 Proposed Budget		2017 Approved Budget		2016 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	88	\$8,897,000	91	\$9,320,000	90	\$8,355,000
Purchases						
Stores Materials and Supplies		367,000		336,000		336,000
EWEB Equipment		1,045,000 ¹		769,000		796,000
Maintenance and Repairs		31,000		25,000		28,000
Equipment		67,000		82,000		70,000
Energy		1,047,000		1,006,000		1,023,000
Water		23,000		22,000		91,000
Fuels		1,000		2,000		-
Materials and Supplies		661,000		661,000		641,000
Technology / Office Equipment		49,000		56,000		33,000
Total Purchases		\$3,291,000		\$2,959,000		\$3,018,000
Services						
Contract Labor		332,000		42,000		81,000
Conservation Measures and Incentives		10,000		40,000		31,000
Construction Agreements		876,000		794,000		744,000
Miscellaneous Services		101,000		84,000		99,000
Professional and Technical Services		810,000 ²		435,000		127,000
Software/Hardware Maintenance and Services		45,000		44,000		19,000
Property Rent		-		13,000		-
Legal Services		-		-		1,000
Printing and Postage		14,000		13,000		21,000
Fees and Licenses		87,000		117,000		84,000
Training and Travel		74,000		77,000		36,000
Grants		47,000		6,000		66,000
Total Services		\$2,396,000		\$1,665,000		\$1,309,000
Total	88	\$14,584,000	91	\$13,944,000	90	\$12,682,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. Due to reorganizations in 2016 and 2017, FTE by division may not be comparable between years. Accordingly, budgeted and actual dollars may not directly align with FTE.

¹ Revised methodology of allocating Fleet expense coupled with shift in expense from capital to O&M compared to prior year

² Water source protection moved to Water Division

Attachment 3

Labor and Employee Benefit Costs



**EUGENE WATER & ELECTRIC BOARD
LABOR AND EMPLOYEE BENEFITS
2018 BUDGET COMPARED WITH 2017 BUDGET AND 2016 ACTUAL**

	<u>2018 Proposed Budget</u>		<u>2017 Approved Budget</u>		<u>2016 Actual</u>	
	<u>Budget</u>	<u>% of Total wages</u>	<u>Budget</u>	<u>% of Total wages</u>	<u>Actual</u>	<u>% of Total wages</u>
<u>Wages</u>						
Regular Wages	\$40,983,000	96.7%	\$43,085,000	96.0%	\$43,574,000	96.0%
Premium Wages	1,398,000	3.3%	1,778,000	4.0%	1,820,000	4.0%
Total wages	<u>42,381,000</u>	<u>100.0%</u>	<u>44,863,000</u>	<u>100.0%</u>	<u>45,394,000</u>	<u>100.0%</u>
<u>Benefits</u>						
Public employees retirement fund	12,626,000	29.8%	12,995,000	29.1%	10,622,000	23.4%
Other benefits - employer contribution ¹	3,962,000	9.3%	3,893,000	8.7%	3,598,000	7.9%
Health insurance ²	8,182,000	19.3%	8,711,000	19.6%	8,234,000	18.1%
Post-retirement medical	720,000	1.7%	1,167,000	2.6%	1,356,000	3.0%
Long-term disability	258,000	0.6%	259,000	0.6%	258,000	0.6%
Life insurance	312,000	0.7%	338,000	0.8%	327,000	0.7%
Total benefits	<u>26,060,000</u>	<u>61.4%</u>	<u>27,363,000</u>	<u>61.4%</u>	<u>24,395,000</u>	<u>53.7%</u>
 Total wages & benefits	 <u>\$68,441,000</u>		 <u>\$72,226,000</u>		 <u>\$69,789,000</u>	

¹ Includes: Social Security/Medicare tax, Unemployment Insurance, Worker's Compensation Insurance.

² 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	12/31/17 Projected ¹	12/31/18 Projected ²	Target	12/31/17 Projected ¹	12/31/18 Projected ²
Reserves						
Operating and Self-Insurance	\$ 3,720	\$ 4,100	\$ 4,100	\$ 1,300	\$ 1,600	\$ 1,600
Power Operating	17,000	17,000	17,000			
Capital Improvement ³	22,000	22,000	23,235	7,000	6,600	7,000
Total Reserves	42,720	43,100	44,335	8,300	8,200	8,600
Board Designated Funds⁴						
Rate Stabilization Fund	5,000	31,300	31,300	1,000	1,300	1,300
Harvest Wind Reserve		2,000	2,000			
Economic Development Loans		2,000	2,000		200	200
Water Stewardship Fund - Septic Repairs					100	100
Alternative Water Supply					6,300	5,300
Pension and Medical Funds ⁵		15,800	15,800		5,000	5,000
Total Designated Funds		51,100	51,100		12,900	11,900
Working Cash	24,000	55,000	65,900	3,400	10,500	17,300
Total Working Cash and Unrestricted Funds	\$ 71,720	\$ 149,200	\$ 161,335	\$ 12,700	\$ 31,600	\$ 37,800
Legally Restricted						
Bond Funds - Capital		\$ 38,800	\$ 25,100	\$ 6,500	\$ 1,600	
System Development Charge Reserves				5,500	5,000	
Reserves for Debt Service		6,500	6,500	2,300	2,300	
Customer Care/Customer Deposit		2,000	2,000			
Total Restricted Funds		\$ 47,300	\$ 33,600	\$ 14,300	\$ 8,900	

* After completion of the annual audit, the Board of Commissioners reviews cash balances and may make transfers between funds.

¹ Projections as of October 31, 2017

² 2017 changes to unrestricted reserves are included in working cash. The Board will officially transfer funds in the second quarter of 2018.

³ 12/31/17 projection includes funds for approved capital projects that will be continued in 2018.

⁴ Designated funds are used for one-time expenses.

⁵ Does not include anticipated transfer due to 2017 pension costs projected to be under budget in accordance with Financial Policy 1.4.1.

Attachment 5

Budgeted Financial Ratios and Statistics



**EUGENE WATER & ELECTRIC BOARD
BUDGETED FINANCIAL RATIOS**

December 31, 2018

	Electric Utility	Water Utility
Financial Ratios		
Debt Service Coverage Ratio ¹	2.70	3.91
Days Cash ²	304	703
Operating Ratio ³	0.81	0.53
Target		
Debt Service Coverage Ratio	1.75 to 2.00	2.00 to 2.50
Days Cash	> 150 days	> 150 days
Operating Ratio	≤.85	≤.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. In 2018, Management will be recommending options for the Board to consider for reserves above Board target.

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.



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

February 2018 Water Price Proposal

**Fiscal Services Department
December 2017**

**EUGENE WATER & ELECTRIC BOARD
2018 Water Price Proposal**

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EXECUTIVE SUMMARY

The 2018 Price Proposal was developed in accordance with the proposed 2018 budget. The revenue requirements, cost of service analysis and proposed price schedules by customer class, are included in this document.

In accordance with industry standard, Eugene Water & Electric Board (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 2018, the COSA was updated to determine the revenue requirement for each customer class: Residential, General Service, Water Districts, and Wholesale.

Table 1, on page 12, provides the detailed revenue requirements which are based on the proposed 2018 budget. Due to postponed construction of the Willamette Treatment Plant, Management is recommending to no longer collect the 3% for the 2014 price increase dedicated to Alternative Water Supply (AWS). Starting in 2014, additional revenue was collected from Residential, General Service, and Private Fire Protection customer classes. Wholesale customers were not affected by the 2014 price increase; the COSA indicated minimal changes for customers in this class, except for the City of Veneta which was slightly greater than 1% decrease. Overall, the proposed price changes would reduce revenue by 2.8% if the Board approves them as presented. In 2018, Management and staff will continue to work towards managing future debt, improving processes, and evaluating water emergency responsiveness and resiliency in order to provide safe, reliable, and affordable delivery of water to our customer-owners.

Proposed Revenue Requirement

Customer Class	Price Schedule(s)	Proposed Price Change
Residential ¹	R-1, R-2	-4.5% ²
General Service ¹	G-1, G-2	-1.0% ²
Water Districts	4	0.0%
Willamette Water Company	5	0.0%
City of Veneta	6	-1.0% ²
Private Fire Lines		-1.5%
Pumping and Delivery Charges above the Base		0.0%
Total		-2.8%

¹For Residential and General Service, both the inside and outside customers are included in the customer classes.

²Price change is volumetric only.

I. INTRODUCTION

Purpose of Study

The purpose of this price study is to provide background information and technical analyses in support of the 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 2018. The most recent changes to water prices occurred in February 2017, with an overall average increase of 2.0%. Initially, the Long Term Financial Plan modeled a 3% decrease in revenue. From that change, COSA results have indicated decreases for Residential, General Service, Private Fire Lines, and the City of Veneta. Management has reviewed these results and has determined that price movements in other customer-classes are within industry accepted standards; therefore, proposed no changes to Willamette Water Company, Water Districts, and Pumping Charges above the Base. This would result in an overall 2.8% reduction to revenue. This revenue decrease is included in the 2018 proposed budget.

The 2018 proposed budget assumes net consumption of 7.8 million KGALs which is approximately 230,000 KGALs greater than was budgeted in 2017. This is lower than the 8-year average consumption of 8.1 million KGALs. The revenue impact of additional consumption adds more than \$600,000 to the base year in the COSA.

In keeping with proposed 2018 budget assumptions, anticipated expenditures, forecasted sales for the 12-month period and the results of an updated Cost of Service study, EWEB Management is recommending the proposed price changes, represented on *Table 4*, page 17.

If approved by EWEB Commissioners following the scheduled public hearings, revised water prices will become effective with billings rendered on and after February 1, 2018.

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, carry out the responsibilities delegated to the Board pursuant to the City Charter. The EWEB Commissioners have exclusive jurisdiction to approve annual operating budgets and establish 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.

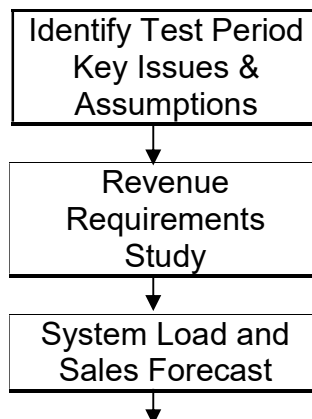
The second standard requires that prices and charges for utility service be fair and non-discriminatory. Prices are considered non-discriminatory when customers receiving like and synchronous service under similar circumstances are treated equally in the development and application of specific prices.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

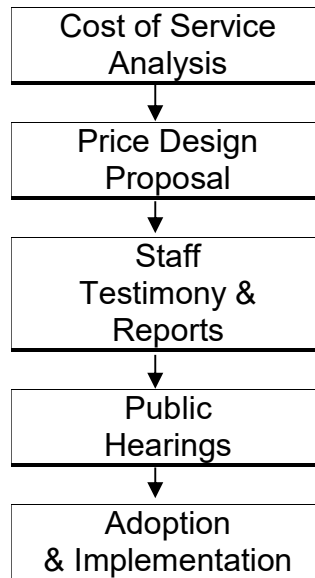
The above standards, together with the established Board policies concerning cost allocation and price design, allow EWEB to maintain prices at the lowest possible level consistent with sound financial principles and traditional utility price making practice. They also give EWEB's elected Board of Commissioners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

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, staff 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 Commissioners, General Manager and Utility Management. The process also affords an opportunity for review and comment by EWEB customer-owners 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 2018, the COSA was updated for projected operating costs, sales forecasts and total revenue requirements. It was 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 customer-owners and the general public receive adequate notice and explanation of pending price change proposals. This provides 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:

<u>Publication Name</u>	<u>Date</u>
The Register-Guard	October 2, 2017
The Register-Guard	November 2, 2017

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 first hearing was held during the EWEB Board meeting on Tuesday, November 7, 2017 at 5:30 p.m. The second hearing will be held during the EWEB Board meeting on Tuesday, December 5, 2017 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 by December 4, 2017 to ensure delivery to the Board.

EXHIBIT 1

BEFORE THE EUGENE WATER & ELECTRIC BOARD

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

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

1. Two dates are scheduled for public hearings to seek comment regarding proposed 2018 budget approval and adjustments to EWEB water & electric prices. If approved, the proposed changes for residential, general service, and other customers of the Eugene Water & Electric Board would become effective with utility billings rendered on, or after, February 1, 2018.
2. Public hearings will be held in the EWEB Community Room, 500 East 4th Avenue, Eugene, Oregon, on the following dates and times:

November 7, 2017	5:30 p.m.
December 5, 2017	5:30 p.m.

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

3. Specific price 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 price proposals will also 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 December 4, 2017. 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:

	<u>Area</u>	<u>Term Expires December 31,</u>
Dick Helgeson, President	Wards 2, 3	2020
John Brown, Vice President	Wards 4, 5	2018
Steve Mital	Wards 1, 8	2020
John Simpson	At Large	2018
Sonya Carlson	Wards 6, 7	2020

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.

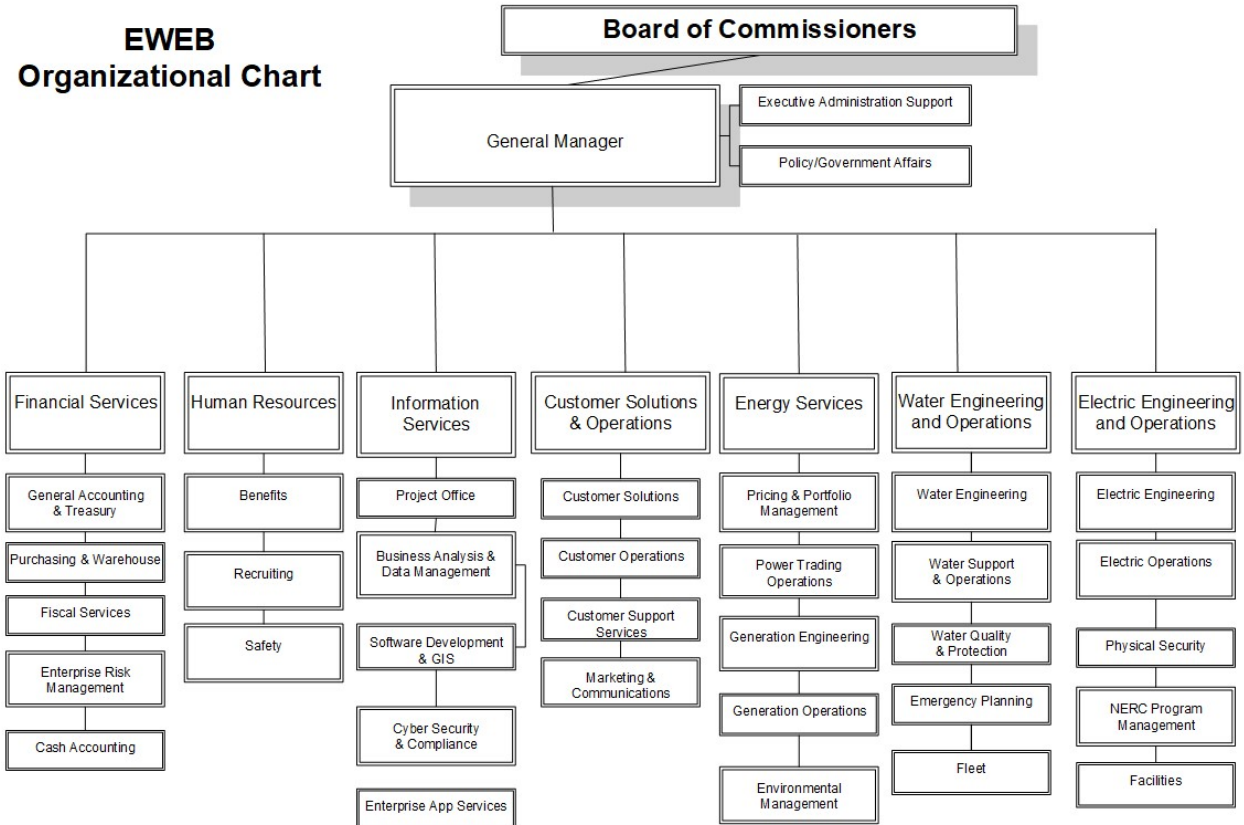
Under the direction of General Manager Frank Lawson and the executive team, EWEB employed approximately 500 combined electric and water personnel as of third quarter 2017. EWEB's organization chart is shown as *Figure 2*. The executive team, responsible for each of the major operating areas, is as follows:

<u>Executive</u>	<u>Title</u>
Frank Lawson	General Manager
Susan Fahey	Chief Financial Officer
Lena Kostopulos	Chief Human Resources Officer
Vacant	Chief Customer Officer
Rod Price	Chief Electric Engineering & Operations Officer
Mike McCann	Chief Energy Officer (Interim)
Mel Damewood	Chief Water Engineering & Operations Officer
Matt Barton	Chief Information Officer
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 executive team and other key personnel. Each work unit addresses management priorities through ongoing work plans and schedules. The General Manager meets frequently with the executive team members who hold regular meetings with their department staff to ensure operational alignment with the Strategic Plan.

EWEB places a high value on quality service and responsiveness to the needs of its customer-owners. Because of its standards for reliability and design, water service interruptions are infrequent and limited to short duration.

Figure 2



Updated: 10/26/2017

B. Water System Highlights

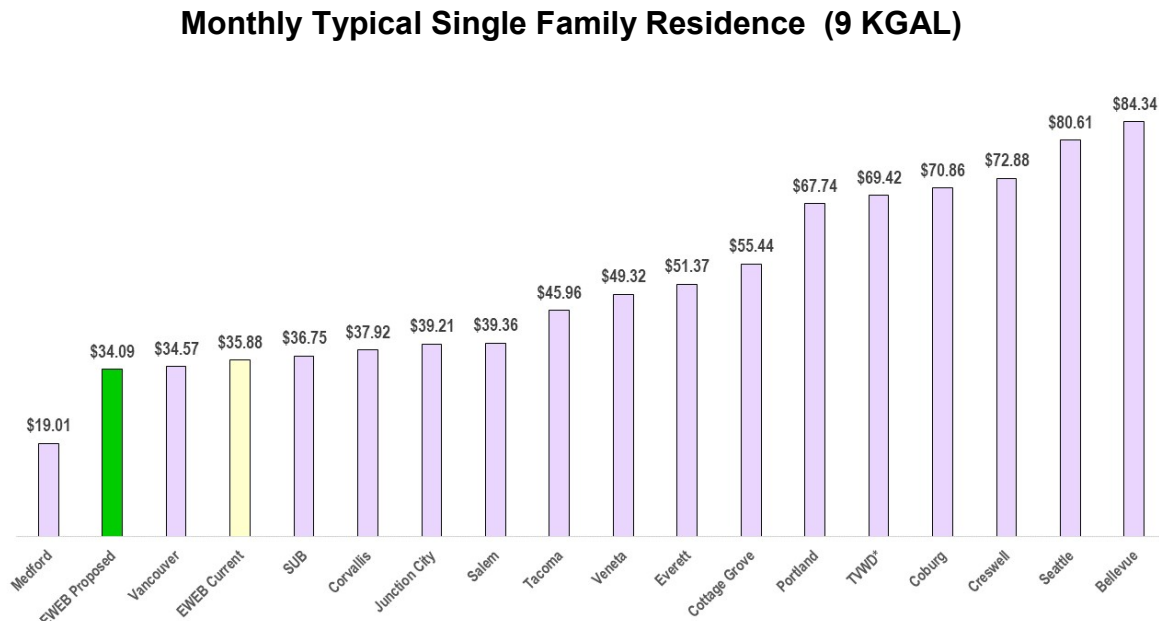
EWEB is the largest publicly owned utility in the state of Oregon. Founded by the citizens of Eugene in 1911, EWEB has remained a successful provider of essential utility services to the local community for over 100 years.

The Water System provides water to all areas within the city, two water districts, a wholesale company, 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 plant into the distribution system through two large transmission mains. The water distribution system consists of 23 enclosed reservoirs with a combined storage capacity of 90 million gallons, 28 pump stations, and approximately 800 miles of distribution mains.

C. Average Bill Comparisons

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 \$34.70 for EWEB in the figure is calculated using the proposed residential price. A sample General Service bill using 250 KGALs consumption at current and proposed prices is shown in *Figure 4*.

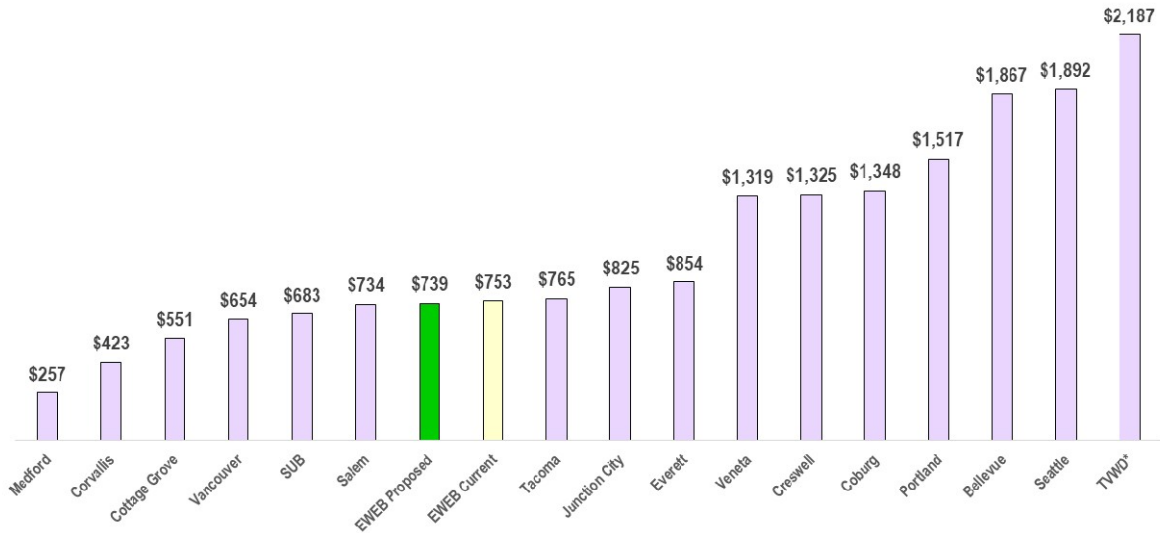
Figure 3



* Tualatin Valley Water District (TVWD) serves portions of Beaverton, Hillsboro, Tigard and unincorporated Washington County.

Figure 4

Monthly Medium General Service (250 KGAL)



* Tualatin Valley Water District (TVWD) serves portions of Beaverton, Hillsboro, Tigard and unincorporated Washington County.

III. REVENUE REQUIREMENTS STUDY

This section contains a general description of EWEB's annual budgeting process. It includes the documentation of EWEB's 2018 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 Budgets

In 2017, the Board adopted a new strategic plan which identified strategic priorities facing the utility over the next ten years. Those priorities are Emergency Preparedness & Disaster Recover and Electric Supply Resources. The work to address those priorities will be done in phases, beginning with fostering customer confidence. To enhance customer confidence, the focus in the near term will be on consistent performance, cost improvement, service and responsiveness, and open and transparent communications. In subsequent phases, the utility will work to create consumption flexibility and the resilient delivery integration. The strategic priorities documented in this plan drive 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. Management first determines if work is compulsory or strategic. Compulsory work, mandated by regulators or necessary to safely deliver water and electricity, is included in the budget. Strategic work is then evaluated to align resources with strategic priorities and budgeted accordingly. This approach has served EWEB well in its effort to align budgets with EWEB's mission, strategic plan and customer-owner 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 staff 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 customer-owners 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 and monitor those expenses. 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 2018 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 2018 proposed Water Utility Budget. For the February 2018 price study, staff incorporated the projected sales, revenues and expenditure data from the proposed 2018 budget directly as a basis for this price proposal.

Table 1 contains a summary of the revenue requirements for the 2018 test period for proposed water prices. The first column represents the financial results anticipated at current prices plus adjustments in revenue for increased consumption, while the second column indicates the results obtained under management's price adjustment proposal. As indicated earlier, proposed prices are designed to decrease operating revenues by 2.8%, as the overall result of reducing Residential, General Service, Private Fire Protection, and City of Veneta, while making no change to Water Districts, Willamette Water Company, and Pumping and Delivery Charges above the base.

Table 1
Water System Revenue Requirements
For 2018 Test Period

	Current Prices	Revenues at Proposed Prices	% of Total
Operating Revenues	\$36,931,000	\$35,912,000	82.74%
Bond Proceeds, Interest, and Other Income ¹	7,493,000	7,493,000	17.26%
	44,424,000	43,405,000	100.00%
Expenditures			
Source of Supply	926,000	926,000	4.84%
Pumping	1,215,000	1,215,000	6.35%
Power for Pumping	1,070,000	1,070,000	5.59%
Purification	3,160,000	3,160,000	16.52%
Transmission & Distribution	6,999,000	6,999,000	36.59%
Customer Accounting	1,289,000	1,289,000	6.74%
Conservation	562,000	562,000	2.94%
Administrative & General	3,908,000	3,908,000	20.43%
Subtotal	19,129,000	19,129,000	44.07%
Construction & Capital ²	13,502,000	13,502,000	31.11%
Debt Service, Interest, and Amortization	4,965,000	4,965,000	11.44%
Balance Sheet Changes	(230,000)	(230,000)	-0.53%
Subtotal	18,237,000	18,237,000	42.02%
To Working Cash/ Reserves	6,042,000	6,042,000	13.91%
Revenue Requirements	\$43,405,000	\$43,405,000	100.00%
Surplus / (Deficiency)	\$1,019,000	\$0	
As a % of Rate Revenue	2.8%		

¹ Includes System Development Charge Revenue

² Net of 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 2018 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 2018 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 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. 2018 Forecast Results

The results of EWEB's sales forecast for the 2018 price test period are summarized in *Table 2*, below. This includes the increase of approximately 230,000 KGALs, compared to 2017.

**Table 2
Water System Consumption
For 2018 Test Period**

Customer Class	Count	KGAL Sales	% of Sales
Residential - Inside City	46,500	3,762,000	48.2%
Residential - Outside City	399	36,000	0.5%
General Service - Inside City	5,046	3,143,000	40.2%
General Service - Outside City	227	177,000	2.3%
Water Districts	2	582,000	7.5%
Willamette Water Company	1	28,000	0.4%
City of Veneta	1	72,000	0.9%
Private Fire Lines ¹	1,138	N/A	N/A
Total	53,314	7,800,000	100.0%

¹ 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 customer 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 standards, 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 2018 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 \$43.4 million for the 2018 price test period. A net revenue requirement of \$35.9 million remains after applying \$7.5 million for use of bond proceeds, interest earnings and other non-retail revenues. At current prices, offsetting water sales revenue of \$36.9 million leaves a remaining budget surplus of approximately \$1 million based on the proposed price changes. This \$1 million surplus translates to a 2.8% decrease in overall revenue during the test period.

The Cost of Service Analysis calculated an overall revenue requirement of \$35.8 million. The difference between Cost of Service revenue and revenue at current prices is summarized in Table 3.

Table 3
Cost of Service Summary

Customer Class	Price Schedules	Revenue at Current Prices	COSA Revenue Requirement	Percent Difference
Residential ¹	R-1, R-2	\$19,896,764	\$18,944,289	-4.8%
General Service ¹	G-1, G-2	13,327,706	13,185,353	-1.1%
Water Districts ²	4	1,812,754	1,821,060	0.5%
Willamette Water Company	5	118,501	118,587	0.1%
City of Veneta	6	105,760	104,429	-1.3%
Private Fire Lines		858,500	843,653	-1.7%
Pumping and Delivery Charges above the Base		810,999	805,682	-0.7%
Total		\$36,930,984	\$35,823,054	-3.0%

¹ For Residential and General Service, both the inside and outside customers are included in the customer classes.

² Water District Administration charges are not included in price revenues.

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.

Following the COSA results, Management is recommending reducing Residential, General Service, Private Fire Lines and City of Veneta charges and no change to pricing for Water Districts, Willamette Water Company, and Pumping and Delivery Charges above the Base. Revenue at current prices and proposed decreases for each of EWEB's major customer classes are shown *Table 4*.

Table 4
Proposed Revenue Requirement

Customer Class	Price Schedule(s)	Revenue at Current Prices	Revenue at Proposed Prices	Percent Revenue Difference	Proposed Price Change
Residential ¹	R-1, R-2	\$19,896,764	\$19,003,472	-4.5%	-4.5% ⁴
General Service ¹	G-1, G-2	13,327,706	13,193,104	-1.0%	-1.0% ⁴
Water Districts	4	1,812,754	1,835,486	1.3% ²	0.0%
Willamette Water Company	5	118,501	118,794	0.2% ³	0.0%
City of Veneta	6	105,760	104,668	-1.0%	-1.0% ⁴
Private Fire Lines		858,500	845,623	-1.5%	-1.5%
Pumping and Delivery Charges above the Base		810,999	810,999	0.0%	0.0%
Total		\$36,930,984	\$35,912,144	-2.8%	

¹For Residential and General Service, both the inside and outside customers are included in the customer classes.

²There is no proposed price change. Changes in revenue are due to the prior year price change being updated July 1, 2017.

³There is no proposed price change. Changes in revenue are due to the prior year price change being updated in February 1, 2017

⁴Price change is volumetric only.

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.

Table 5 shows the proposed price schedule for Residential inside the city. The rate increase for residential customers varies depending on consumption and meter size as illustrated in *Table 6*. *Tables 7 and 8* represent the proposed price schedule for Residential customers outside the city.

Table 5
Calculation of the Revenues at Present and Proposed Prices
SCHEDULE R-1 - Residential Water Service Inside City Limits
 Estimated 12 Months Ended December 31, 2018

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue at Existing Prices ¹	Proposed Charge	Proposed Annual Revenue ¹
BASIC CHARGE						
5/8"	42,544		\$20.37	\$10,399,455	\$20.37	\$10,399,455
3/4"	258		\$21.20	\$65,635	\$21.20	\$65,635
1"	3,485		\$27.50	\$1,150,050	\$27.50	\$1,150,050
1 - 1/2"	91		\$42.08	\$45,951	\$42.08	\$45,951
2"	4		\$75.39	\$3,619	\$75.39	\$3,619
Total	46,382			\$11,664,711		\$11,664,711
VOLUME CHARGE						
First 8,000 gallons	64.6%	2,432,189	\$1.601	\$3,893,935	\$1.416	\$3,475,817
Next 22,000 gallons	27.4%	1,029,058	\$2.703	2,781,544	\$2.391	\$2,466,206
Over 30,000 gallons	8.0%	301,177	\$4.378	1,318,553	\$3.872	\$1,169,734
Total		3,762,424		\$7,994,031		\$7,111,757
Total Calculated Revenue				\$19,658,742		\$18,776,467
Revenue Decrease						(\$882,275)
% Change						-4.5%

¹ Present and proposed revenues include one month at prior prices and eleven months at existing or proposed prices.

Table 6
EUGENE WATER & ELECTRIC BOARD
Price and Monthly Bill Comparison
Residential Water Service Inside City Limits
SCHEDULE R-1

5/8" SERVICE

Monthly Usage Level (KGAL)	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices ¹	Percent Difference
0	\$20.37	\$20.37	0.0%
1	\$21.97	\$21.79	-0.8%
2	\$23.57	\$23.20	-1.6%
3	\$25.17	\$24.62	-2.2%
4	\$26.77	\$26.03	-2.8%
5	\$28.38	\$27.45	-3.3%
6	\$29.98	\$28.87	-3.7%
7	\$31.58	\$30.28	-4.1%
8	\$33.18	\$31.70	-4.5%
9	\$44.70	\$41.89	-6.3%
10	\$47.40	\$44.28	-6.6%
15	\$60.92	\$56.24	-7.7%
20	\$74.43	\$68.19	-8.4%
25	\$87.95	\$80.15	-8.9%
30	\$101.46	\$92.10	-9.2%
35	\$173.60	\$155.89	-10.2%
40	\$195.49	\$175.25	-10.4%
45	\$217.38	\$194.61	-10.5%
50	\$239.27	\$213.97	-10.6%

¹ Price change was volumetric only.

Table 7
Calculation of the Revenues at Present and Proposed Prices
SCHEDULE R-2 - Residential Water Service Outside City Limits
 Estimated 12 Months Ended December 31, 2018

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue at Existing Prices¹	Proposed Charge	Proposed Annual Revenue¹
BASIC CHARGE						
5/8"	369		\$26.50	\$117,342	\$26.50	\$117,342
3/4"	1		\$27.55	\$331	\$27.55	\$331
1"	39		\$35.75	\$16,731	\$35.75	\$16,731
1 - 1/2"	4		\$54.70	\$2,626	\$54.70	\$2,626
2"	1		\$98.00	\$1,176	\$98.00	\$1,176
Total	414			\$138,205		\$138,205
VOLUME CHARGE						
First 8,000 gallons	61.6%	21,924	\$2.081	\$45,624	\$1.841	\$40,753
Next 22,000 gallons	30.3%	10,795	\$3.514	37,934	\$3.108	\$33,621
Over 30,000 gallons	8.0%	2,857	\$5.691	16,259	\$5.034	\$14,426
Total		35,576		\$99,817		\$88,800
Total Calculated Revenue				\$238,022		\$227,005
Revenue Decrease						(\$11,017)
% Change						-4.6%

¹ Present and proposed revenues include one month at prior prices and eleven months at existing or proposed prices.

Table 8
EUGENE WATER & ELECTRIC BOARD
Price and Monthly Bill Comparison
Residential Water Service Outside City Limits
SCHEDULE R-2

5/8" SERVICE

Monthly Usage Level (KGAL)	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices ¹	Percent Difference
0	\$26.50	\$26.50	0.0%
1	\$28.58	\$28.34	-0.8%
2	\$30.66	\$30.18	-1.6%
3	\$32.74	\$32.02	-2.2%
4	\$34.82	\$33.86	-2.8%
5	\$36.91	\$35.71	-3.3%
6	\$38.99	\$37.55	-3.7%
7	\$41.07	\$39.39	-4.1%
8	\$43.15	\$41.23	-4.4%
9	\$58.13	\$54.47	-6.3%
10	\$61.64	\$57.58	-6.6%
15	\$79.21	\$73.12	-7.7%
20	\$96.78	\$88.66	-8.4%
25	\$114.35	\$104.20	-8.9%
30	\$131.92	\$119.74	-9.2%
35	\$225.69	\$202.69	-10.2%
40	\$254.14	\$227.86	-10.3%
45	\$282.60	\$253.03	-10.5%
50	\$311.05	\$278.20	-10.6%

¹ Price change was volumetric only.

B. General Service – Schedules G-1 and G-2

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 9 provides information on revenues at existing prices and revenues at proposed prices for General Service inside the city.

Table 10 provides information on monthly bill comparisons at existing and proposed prices for General Service inside the city.

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 11 provides information on revenues at existing prices and revenues at proposed prices for General Service outside the city. *Table 12* provides information on monthly bill comparisons at existing and proposed prices for General Service outside the city.

Table 9
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, 2018

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue at Existing Prices ¹	Proposed Charge	Proposed Annual Revenue ¹
BASIC CHARGE						
5/8"	1,777	21,324	\$23.23	\$493,349	\$23.23	\$495,357
3/4"	49	588	\$24.17	\$14,155	\$24.17	\$14,212
1"	1,434	17,208	\$31.36	\$537,463	\$31.36	\$539,643
1 - 1/2"	987	11,844	\$47.96	\$565,739	\$47.96	\$568,038
2"	571	6,852	\$85.94	\$586,480	\$85.94	\$588,861
3"	108	1,296	\$193.62	\$249,916	\$193.62	\$250,932
4"	49	588	\$330.58	\$193,595	\$330.58	\$194,381
6"	60	720	\$496.04	\$355,705	\$496.04	\$357,149
8"	34	408	\$718.03	\$291,772	\$718.03	\$292,956
10"	2	24	\$1,014.12	\$24,240	\$1,014.12	\$24,339
Total	5,071	60,852		\$3,312,413		\$3,325,867
VOLUME CHARGE						
All KGAL (1,000 gallons)		3,142,722	\$2.885	\$9,041,190	\$2.829	\$8,900,986
Total Calculated Revenue				\$12,353,603		\$12,226,853
Revenue Decrease						(\$126,750)
% Change						-1.0%
Average Cost per KGAL (1,000 gallons)				\$3.93		\$3.89

¹ Present and proposed revenues include one month at prior prices and eleven months at existing or proposed prices.

Table 10
EUGENE WATER & ELECTRIC BOARD
Price and Monthly Bill Comparison
GENERAL SERVICE INSIDE CITY LIMITS
SCHEDULE G-1

Monthly Usage Level (KGAL)	5/8" SERVICE			1" SERVICE			2" SERVICE			4" SERVICE		
	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Difference	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Difference	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Difference	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Difference
0	\$23.23	\$23.23	0.0%									
5	\$37.66	\$37.38	-0.7%									
10	\$52.08	\$51.52	-1.1%	\$60.21	\$59.65	-0.9%						
15	\$66.51	\$65.67	-1.3%	\$74.64	\$73.80	-1.1%						
20	\$80.93	\$79.81	-1.4%	\$89.06	\$87.94	-1.3%	\$143.64	\$142.52	-0.8%			
25	\$95.36	\$93.96	-1.5%	\$103.49	\$102.09	-1.4%	\$158.07	\$156.67	-0.9%			
30	\$109.78	\$108.10	-1.5%	\$117.91	\$116.23	-1.4%	\$172.49	\$170.81	-1.0%			
40	\$138.63	\$136.39	-1.6%	\$146.76	\$144.52	-1.5%	\$201.34	\$199.10	-1.1%			
50	\$167.48	\$164.68	-1.7%	\$175.61	\$172.81	-1.6%	\$230.19	\$227.39	-1.2%	\$474.83	\$472.03	-0.6%
75				\$247.74	\$243.54	-1.7%	\$302.32	\$298.12	-1.4%	\$546.96	\$542.76	-0.8%
100				\$319.86	\$314.26	-1.8%	\$374.44	\$368.84	-1.5%	\$619.08	\$613.48	-0.9%
200				\$608.36	\$597.16	-1.8%	\$662.94	\$651.74	-1.7%	\$907.58	\$896.38	-1.2%
250				\$752.61	\$738.61	-1.9%	\$807.19	\$793.19	-1.7%	\$1,051.83	\$1,037.83	-1.3%
500							\$1,528.44	\$1,500.44	-1.8%	\$1,773.08	\$1,745.08	-1.6%
750										\$2,494.33	\$2,452.33	-1.7%
1,000										\$3,215.58	\$3,159.58	-1.7%

Table 11
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, 2018

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue at Existing Prices ¹	Proposed Charge	Proposed Annual Revenue ¹
BASIC CHARGE						
5/8"	99	1,188	\$30.20	\$35,734	\$30.20	\$35,878
3/4"	3	36	\$31.40	\$1,126	\$31.40	\$1,130
1"	55	660	\$40.75	\$26,788	\$40.75	\$26,895
1 - 1/2"	24	288	\$62.35	\$17,884	\$62.35	\$17,957
2"	18	216	\$111.70	\$24,030	\$111.70	\$24,127
3"	7	84	\$251.70	\$21,057	\$251.70	\$21,143
4"	4	48	\$429.75	\$20,545	\$429.75	\$20,628
6"	4	48	\$644.85	\$30,828	\$644.85	\$30,953
8"	12	144	\$933.45	\$133,873	\$933.45	\$134,417
Total	226	2,712		\$311,864		\$313,127
VOLUME CHARGE						
All KGAL (1,000 gallons)		177,278	\$3.751	\$662,239	\$3.678	\$653,124
Total Calculated Revenue				\$974,104		\$966,251
Revenue Decrease						(\$7,852)
% Change						-0.8%
Average Cost per KGAL (1,000 gallons)				\$5.49		\$5.45

¹ Present and proposed revenues include one month at prior prices and eleven months at existing or proposed prices.

Table 12
EUGENE WATER & ELECTRIC BOARD
Price and Monthly Bill Comparison
GENERAL SERVICE INSIDE CITY LIMITS
SCHEDULE G-1

Monthly Usage Level (KGAL)	5/8" SERVICE			1" SERVICE			2" SERVICE			4" SERVICE		
	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Difference	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Difference	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Difference	Monthly Bill at Present Prices	Monthly Bill at Proposed Prices	Percent Difference
0	\$30.20	\$30.20	0.0%									
5	\$41.99	\$41.62	-0.9%									
10	\$60.74	\$60.01	-1.2%	\$78.26	\$77.53	-0.9%						
15	\$79.50	\$78.40	-1.4%	\$87.63	\$86.53	-1.2%						
20	\$98.25	\$96.79	-1.5%	\$106.38	\$104.92	-1.4%	\$186.72	\$185.26	-0.8%			
25	\$117.01	\$115.18	-1.6%	\$125.14	\$123.31	-1.5%	\$179.72	\$177.89	-1.0%			
30	\$135.76	\$133.57	-1.6%	\$143.89	\$141.70	-1.5%	\$198.47	\$196.28	-1.1%			
40	\$173.27	\$170.35	-1.7%	\$181.40	\$178.48	-1.6%	\$235.98	\$233.06	-1.2%			
50	\$210.78	\$207.13	-1.7%	\$218.91	\$215.26	-1.7%	\$273.49	\$269.84	-1.3%	\$617.30	\$613.65	-0.6%
75				\$312.69	\$307.21	-1.8%	\$367.27	\$361.79	-1.5%	\$611.91	\$606.43	-0.9%
100				\$406.46	\$399.16	-1.8%	\$461.04	\$453.74	-1.6%	\$705.68	\$698.38	-1.0%
200				\$781.56	\$766.96	-1.9%	\$836.14	\$821.54	-1.7%	\$1,080.78	\$1,066.18	-1.4%
250				\$969.11	\$950.86	-1.9%	\$1,023.69	\$1,005.44	-1.8%	\$1,268.33	\$1,250.08	-1.4%
500							\$1,961.44	\$1,924.94	-1.9%	\$2,206.08	\$2,169.58	-1.7%
750										\$3,143.83	\$3,089.08	-1.7%
1,000										\$4,081.58	\$4,008.58	-1.8%

C. Pumping and Delivery Charges above the Base

Table 13 illustrates that the monthly Pumping and Delivery Charge, as determined by pumping level, is proposed to remain at \$3, \$5, and \$7, depending on the pumping level. Additionally, the volume charge is proposed to remain at \$0.249, \$0.499, and \$0.738, depending on the pumping level.

Table 13
Calculation of the Revenues at Present and Proposed Prices
PUMPING AND DELIVERY CHARGES ABOVE THE BASE
 Estimated 12 Months Ended December 31, 2018

Pumping Level	Projected		Fixed Charge		Volume Charge	
	Active Services	Annual Consumption (KGAL)	Proposed/ Existing	Proposed Annual Revenue	Proposed/ Existing	Proposed Annual Revenue
Residential Inside City						
1	5,565	433,637	\$3.00	\$200,340	\$0.249	\$107,976
2	2,399	223,563	\$5.00	\$143,940	\$0.499	\$111,558
3	951	136,346	\$7.00	\$79,884	\$0.738	\$100,623
Total	8,915	793,546		\$424,164		\$320,157
Residential Outside City						
1	24	2,952	\$3.00	\$864	\$0.249	\$735
2	62	6,573	\$5.00	\$3,720	\$0.499	\$3,280
3	78	13,858	\$7.00	\$6,552	\$0.738	\$10,227
Total	164	23,383		\$11,136		\$14,242
General Service Inside City						
1	102	85,437	\$3.00	\$3,672	\$0.249	\$21,274
2	26	16,090	\$5.00	\$1,560	\$0.499	\$8,029
3	11	6,592	\$7.00	\$924	\$0.738	\$4,865
Total	139	108,119		\$6,156		\$34,168
General Service Outside City						
1	3	1,208	\$3.00	\$108	\$0.249	\$301
2	1	150	\$5.00	\$60	\$0.499	\$75
3	1	472	\$7.00	\$84	\$0.738	\$348
Total	5	1,830		\$252		\$724
Total Calculated Revenue				\$441,708		\$369,291

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

EWEB provides firm surplus wholesale water to Santa Clara and River Road Water Districts. 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. EWEB also provides surplus wholesale water to Willamette Water Company and the City of Veneta. Prices include a basic and a volume charge.

Management is proposing no change in price for Santa Clara and River Road Water Districts, and Willamette Water Company per *Tables 14 and 15*. Management is proposing a 1.5% decrease for City of Veneta as outlined in *Table 16*. Revenue may vary slightly due to the timing when prices change. The water districts change pricing in July. Willamette Water Company and the City of Veneta change pricing in February.

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, 2018

	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue at Existing Prices ¹	Proposed Charge	Proposed Annual Revenue ¹
BASIC CHARGE	2		\$3,510.33	\$82,886	\$3,510.33	\$84,248
VOLUME CHARGE						
Jan-June	All KGAL	220,310	\$2.912	\$641,543	\$3.009	\$662,913
July - Dec	All KGAL ²	361,690	\$3.009	1,088,325	\$3.009	1,088,325
Total		582,000		\$1,729,868		\$1,751,238
Total Calculated Revenue				\$1,812,754		\$1,835,486
Revenue Increase						\$22,732
% Change						1.3%
Average Cost per KGAL (1,000 gallons)				\$3.11		\$3.15

¹ Present and proposed revenues are based on six months of proposed price and six months of existing or proposed prices.

² July 1, 2017 effective date.

Table 15
Calculation of the Revenues at Present and Proposed Prices
SCHEDULE 5 - Willamette Water Company
 Estimated 12 Months Ended December 31, 2018

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue at Existing Prices¹	Proposed Charge	Proposed Annual Revenue¹
BASIC CHARGE						
5/8"	5		\$29.61	\$1,772	\$29.61	\$1,777
3/4"	0		\$30.80	\$0	\$30.80	\$0
1"	1		\$39.96	\$478	\$39.96	\$480
1 - 1/2"	0		\$61.08	\$0	\$61.08	\$0
2"	0		\$109.49	\$0	\$109.49	\$0
3"	0		\$246.69	\$0	\$246.69	\$0
4"	0		\$421.17	\$0	\$421.17	\$0
6"	0		\$631.96	\$0	\$631.96	\$0
8"	1		\$914.79	\$10,951	\$914.79	\$10,977
Total	7			\$13,202		\$13,234
VOLUME CHARGE						
All KGAL (1,000 gallons)		28,000	\$3.770	\$105,299	\$3.770	\$105,560
Total Calculated Revenue				\$118,501		\$118,794
Revenue Increase						\$293
% Change						0.2%
Average Cost per KGAL (1,000 gallons)				\$4.23		\$4.24

¹ Present and proposed revenues include one month at prior prices and eleven months at existing or proposed prices.

Table 16
Calculation of the Revenues at Present and Proposed Prices
SCHEDULE 6 - City of Veneta
 Estimated 12 Months Ended December 31, 2018

	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue at Existing Prices ¹	Proposed Charge	Proposed Annual Revenue ¹
BASIC CHARGE	2		\$927.48	\$22,260	\$927.48	\$22,260
VOLUME CHARGE						
All KGAL (1,000 gallons)		72,000	\$1.176	\$83,500	\$1.172	\$82,408
Total Calculated Revenue				\$105,760		\$104,668
% Change						-1.0%
Average Cost per KGAL (1,000 gallons)						\$1.45

¹ Proposed revenues include one month at existing prices and eleven months at existing or 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 \$11.10 per month for each inch diameter of pipe with a \$44.40 minimum charge. Prices charged to outside City customers are similarly based on the 4-inch size and are \$14.14 per month per inch diameter with a \$56.56 per month minimum.

In this proposal, Management recommends a 1.5% decrease to fire line prices per *Table 17*. Prices for fire lines are contained within the Customer Service Policy & Procedures for General Service Inside and Outside City.

Table 17
Monthly Price Comparison
Private Fire Lines

Line Size	Existing Inside City	Proposed Inside City	Existing Outside City	Proposed Outside City
1"	\$44.40	\$43.72	\$56.56	\$55.72
1 - 1/2"	\$44.40	\$43.72	\$56.56	\$55.72
2"	\$44.40	\$43.72	\$56.56	\$55.72
3"	\$44.40	\$43.72	\$56.56	\$55.72
4"	\$44.40	\$43.72	\$56.56	\$55.72
6"	\$66.60	\$65.58	\$84.84	\$83.58
8"	\$88.80	\$87.44	\$113.12	\$111.44
10"	\$111.00	\$109.30	\$141.40	\$139.30
12"	\$133.20	\$131.16	\$169.68	\$167.16
16"	\$177.60	\$174.88	\$226.24	\$222.88