



MEMORANDUM
EUGENE WATER & ELECTRIC BOARD

Rely on us.

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

FROM: Sue Fahey, Chief Financial Officer; Deborah Hart, Interim Finance Manager;
Adam Rue, Interim Fiscal Services Supervisor; Jerry Reller and Nate Schultz
Senior Financial Analysts

DATE: November 19, 2018

SUBJECT: 2019 Proposed Budgets and Prices

OBJECTIVE: Approval of 2019 Budget and Prices

Issue

At the November 6, 2018 Board meeting, staff presented proposals for the Electric and Water Utilities' 2019 budgets and price changes. Additionally, the first of two public hearings on these topics 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

Over the last several years, both the Water and Electric Utilities have addressed financial challenges by strategically reducing costs, restructuring debt service obligations, and prudently using reserves to strengthen financial metrics. This has resulted in significant financial improvements toward enhancing customer confidence and building financial flexibility to support EWEB's 10-year strategic priorities of Emergency Preparedness & Disaster Recovery and Electric Resource Choices.

At the November 6th Board meeting, staff presented proposed budgets, a proposed price update for Water based on combining 5/8 inch and 3/4 inch Basic Charges into a "Less than 1 inch" Basic Charge with the price being the lower of the two, and a proposed price update for the Electric Utility based on flattening of tiers for residential energy use. Staff also presented the results of the cost of service analyses which indicated no other price changes to any customer classes. This will be the fourth year out of the last five that there is no increase in residential electric prices. The water utility lowered prices last year and 2019 will be the third year with no increase for residential customers. Additionally, the percentage of median household income spent on utilities has fallen, indicating that EWEB's prices are becoming more affordable. The Board directed staff to move forward with the proposed budgets and prices as presented.

For the Electric prices, the proposed price change only impacts the following schedule in the Customer Service Policy, Appendix B:

Residential Service - Schedule R-6

3. Monthly Price

(Resolution No. 1315 – Automatic adjustment clause applicable to increase or decrease of BPA wholesale rates)

(Resolution No. 1535 – Electric Prices effective February 2016)

(Resolution No. 1635 – Electric Prices – No change for 2017)

(Resolution No. 1831 – Electric Prices – Flattening of tiers for 2019)

Basic Charge \$20.50 per month

Delivery Charge (all usage): \$0.02624 per kWh

Energy Charge: \$0.06524 per kWh

~~First 800 kWh.....\$0.05948 per kWh~~

~~Over 800 kWh.....\$0.07435 per kWh~~

The following Water Utility price schedules are impacted by the proposed change.

- SCHEDULE R-1 (Residential Service inside the city limits);
- SCHEDULE R-2 (Residential Service outside the city limits);
- SCHEDULE G-1 (General Service inside the city limits);
- SCHEDULE G-2 (General Service outside the city limits); and
- SCHEDULE 5 (Willamette Water Company).

The key budget assumptions are provided in Attachment 1. Information regarding affordability based on average water and electric bills as a percentage of Median Household Income (MHI) and bill comparisons are provided in Attachments 2 and 3, respectively. Attachment 4 represents the proposed changes to the Customer Service Policy Water Utility prices, Appendix C, subsections E-G and J.

Requested Board Action

After the public hearing on the 2019 Budgets and Price Proposals, Management recommends approval of Resolutions No. 1831, 1832, and 1833 adopting the budgets and 2019 prices.

Attachment 1 – 2019 Key Budget Assumptions

Attachment 2 – Affordability Comparison

Attachment 3 – Average Bill Comparison

Attachment 4 – Customer Services Policy, Appendix C, subsections E-G and J

2019 Key Budget Assumptions

Both Utilities

- 2.0% non-labor CPI increase
- Labor/benefit increases:
 - 3.5% wage escalation
 - PERS – No employer rate change as a result of paying down the liability
 - Health insurance increase – 2%
- Shift in Shared Services allocation to 80% Electric/20% Water, from 82%/18%, respectively. The split is based on share of total plant in service, revenues, and direct labor. Since 2012, the Water Utility's proportionate share of the total in each category has steadily risen.

Electric

- Retail load approximately the same as 2018 budget – 2.4 million MWh
- 2019 contribution margin risk tolerance of \$3.0 million which represents 90% generation, 2.4% load reduction or 47% wholesale price reduction
- \$23 melded mid-market price curve
- Partial year Carmen-Smith generation outage in 2019
- \$1.4 million contribution margin reduction due to increased Snake and Columbia River dam spills for fish migration
- \$850,000 decrease in O&M due to shift in Shared Services allocation
- \$500,000 for efficient electrification customer incentives

Water

- 7.8 million KGAL consumption
 - Contribution margin risk tolerance of \$750,000
- \$850,000 increase in O&M due to shift in Shared Services allocation

Median Household Income (MHI) %

Background

The Board requested that 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. Monthly water and electric bill at average residential consumption per month
2. Annual bills at same level of use
3. Median Household Income in 2016

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.

Additionally, it should be noted that Eugene’s population consists of about 18% college students, while comparator cities’ student populations range from 6 % to 11%.

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, Vancouver, Tacoma, Seattle, and Everett. This average is annualized and compared as a percentage of MHI.

The percent of MHI for EWEB decreased from 4.02% to 3.87% indicating that EWEB prices are becoming more affordable compared to customer-owners income.

Eugene, Oregon

Current Prices

Monthly water & electric bills at overall average residential consumption (Overall average residential: water consumption 7 kgal; electric consumption 1050 kWh)	\$144.50
Annual bill at same level of use	\$1,734
Median Household Income (MHI) in 2016 for Eugene, Oregon	\$44,859
Water & Electric % MHI	3.87%

Portland, Oregon

Monthly water & electric bills at overall average residential consumption (Overall average residential: water consumption 7 kgal; electric consumption 1050 kWh)	<u>Current Prices</u> \$187.43
Annual bill at same level of use	\$2,249
Median Household Income (MHI) in 2016 for Portland, Oregon	\$58,423
Water & Electric % MHI	3.85%

Medford, Oregon

Monthly water & electric bills at overall average residential consumption (Overall average residential: water consumption 7 kgal; electric consumption 1050 kWh)	<u>Current Prices</u> \$133.22
Annual bill at same level of use	\$1,599
Median Household Income (MHI) in 2016 for Medford, Oregon	\$44,130
Water & Electric % MHI	3.62%

Vancouver, Washington

Monthly water & electric bills at overall average residential consumption (Overall average residential: water consumption 7 kgal; electric consumption 1050 kWh)	<u>Current Prices</u> \$126.32
Annual bill at same level of use	\$1,516
Median Household Income (MHI) in 2016 for Vancouver, Washington	\$52,004
Water & Electric % MHI	2.91%

Tacoma, Washington

Monthly water & electric bills at overall average residential consumption (Overall average residential: water consumption 7 kgal; electric consumption 1050 kWh)	<u>Current Prices</u> \$140.75
Annual bill at same level of use	\$1,689
Median Household Income (MHI) in 2016 for Tacoma, Washington	\$53,553
Water & Electric % MHI	3.15%

Seattle, Washington

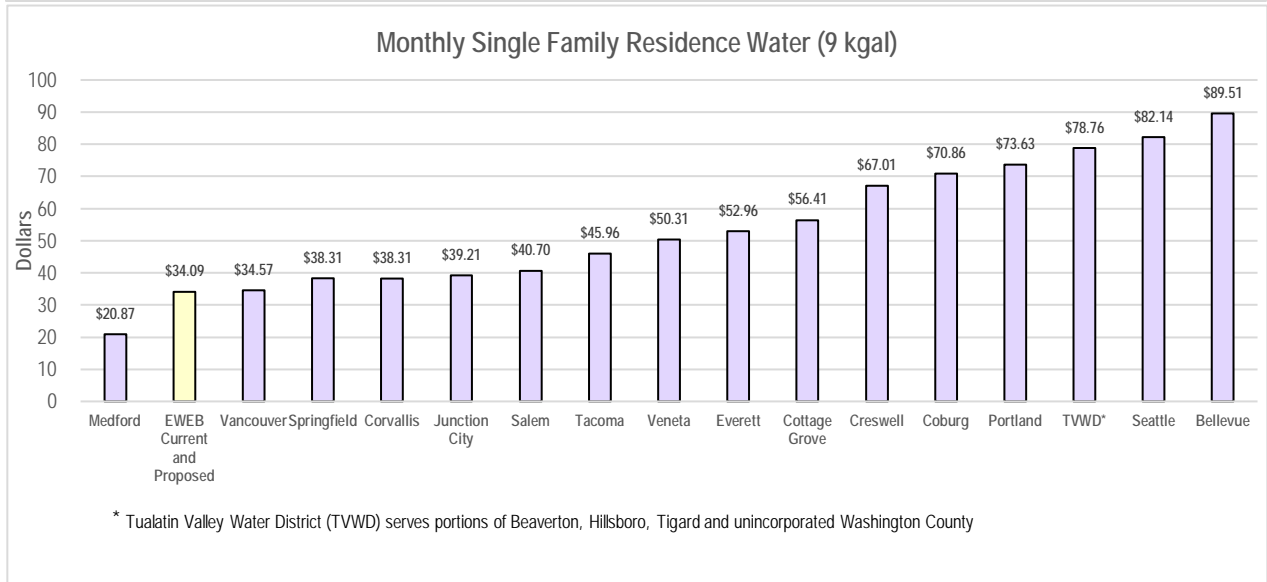
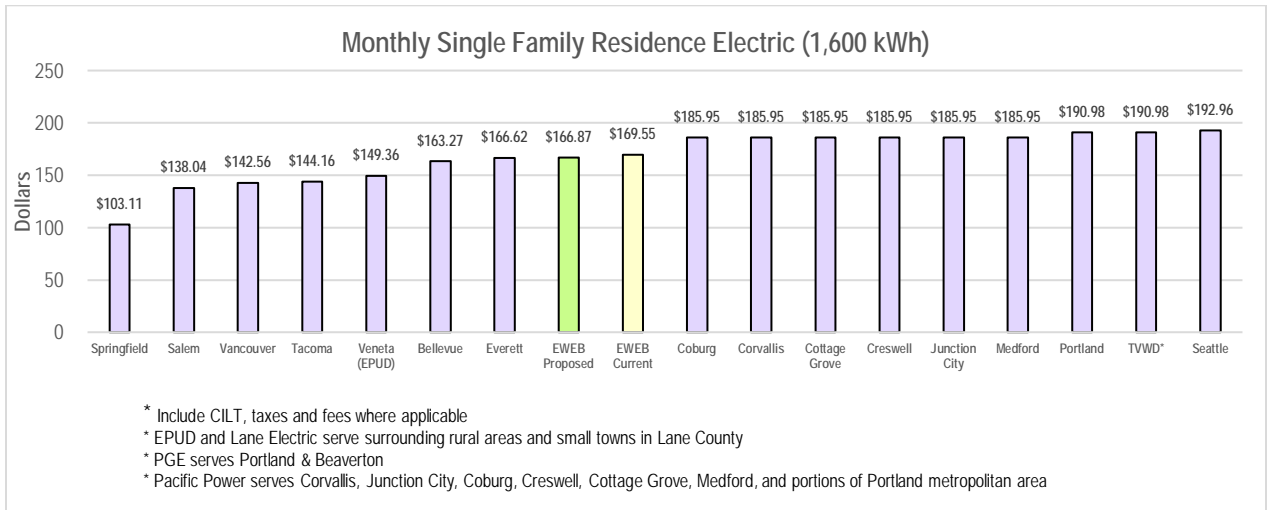
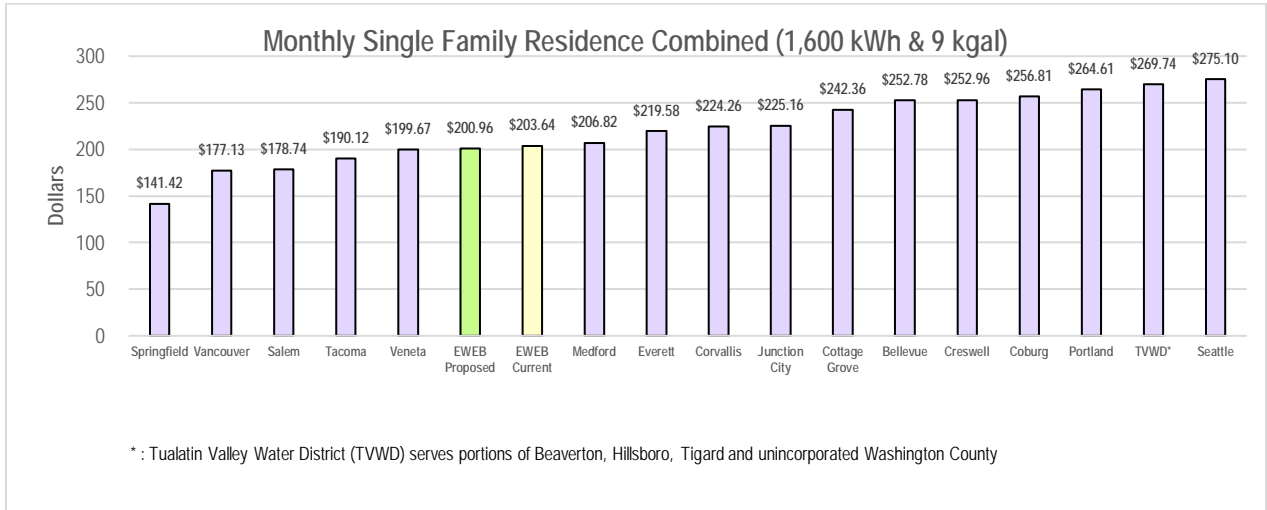
Monthly water & electric bills at overall average residential consumption (Overall average residential: water consumption 7 kgal; electric consumption 1050 kWh)	<u>Current Prices</u> \$188.13
Annual bill at same level of use	\$2,258
Median Household Income (MHI) in 2016 for Seattle, Washington	\$74,458
Water & Electric % MHI	3.03%

Everett, Washington

Monthly water & electric bills at overall average residential consumption (Overall average residential: water consumption 7 kgal; electric consumption 1050 kWh)	<u>Current Prices</u> \$150.55
Annual bill at same level of use	\$1,807
Median Household Income (MHI) in 2016 for Everett, Washington	\$50,933
Water & Electric % MHI	3.55%

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 Water Residential and General Service Pricing Schedules

The smallest capacity meter upgrades are 3/4 inch equivalent, which will be used to replace the current 5/8 inch and 3/4 inch meters within our system. Due to this, Management is proposing changes to related Basic Charges within the Customer Service Policy, Appendix C. The proposal is to combine 5/8 inch and 3/4 inch Basic Charges into a “Less than 1 inch” Basic Charge with the price being the lower of the two.

Effected Schedules in the Customer Service Policy, Appendix C are:

- SCHEDULE R-1 (Residential Service inside the city limits);
- SCHEDULE R-2 (Residential Service outside the city limits);
- SCHEDULE G-1 (General Service inside the city limits);
- SCHEDULE G-2 (General Service outside the city limits); and
- SCHEDULE 5 (Willamette Water Company).

The proposed changes to the Customer Service Policy, Appendix C are within the Basic Charge sections for each schedule, beginning on the next page. Proposed additions to the policy are in red print and proposed eliminations are in red strike-through print.



APPENDIX C - WATER SERVICE CHARGES AND PRICES

TABLE OF CONTENTS

A.	Connect/Disconnect Water Service for Plumbing Repairs.....	59
B.	Temporary Water Meter Service Charges.....	59
C.	Water Service Installation Charges.....	59
D.	Pumping and Delivery Charges Above the Base.....	60
E.	Residential Water Service Inside and Outside the City Limits of Eugene, Schedule R-1 and R-2	60
F.	General Service Inside the City Limits of Eugene, Schedule G-1.....	63
G.	General Service Outside the City Limits of Eugene, Schedule G-2.....	64
H.	Flow Tests	66
I.	Unauthorized Use of Water during Curtailment.....	66
J.	Surplus and Wholesale Water Sales	66
K.	Plan Review Fees.....	68
L.	Financial Guarantee	69
M.	System Connection Fee.....	69
N.	Disinfection and Hydrant Testing Fee	69
O.	Inspection and Permit Fee	70



E. Residential Water Service Inside the City Limits of Eugene

SCHEDULE R-1

1. Applicable

Within the city limits of Eugene to all separately metered single-family residences, mobile homes, duplexes, triplexes, “quads,” townhouses, and multifamily structures with less than four Living Units.

Boarding, lodging, rooming houses or group care facilities shall also qualify for Residential Service if not more than five private sleeping rooms are used by other than members of the Customer's immediate family. When the majority of a dwelling is regularly used for the conduct of business, the entire dwelling shall be billed on the applicable General Service schedule.

2. Monthly Price (Resolution No. 1734)

The monthly price is composed of three charges: basic charge, volume charge and the pumping and delivery above the base charge, if applicable. The basic customer charge shall be according to the size of Meter provided.

Basic Charge

< 1"	\$ 20.37	per month
5/8"	\$ 20.37	per month
3/4"	\$ 21.20	per month
1"	\$ 27.50	per month
1-1/2"	\$ 42.08	per month
2"	\$ 75.39	per month
3"	\$ 164.88	per month

Volume Charge

First 8,000 gallons	\$1.416	per 1,000 gallons
The next 22,000 gallons	\$2.391	per 1,000 gallons
All over 30,000 gallons	\$3.872	per 1,000 gallons



Pumping and Delivery Charge Above the Base

Pumping and delivery charges, if applicable, on all gallons used per month, per 1,000 gallons.

Services at Base Level	None
Services at Level 1 (800 to 850 feet)	24.9¢ per 1,000 gallons
Services at Level 2 (975 feet)	49.9¢ per 1,000 gallons
Services at Level 3 (1,150 to 1,325 feet)	73.8¢ per 1,000 gallons

Fixed Pumping and Delivery Above the Base

Level 1	\$3.00
Level 2	\$5.00
Level 3	\$7.00

- 3. Minimum Charge
Applicable monthly basic customer charge according to size of Meter provided.
- 4. General Terms and Conditions
Service under this schedule is subject to the policies and procedures of EWEB.

Residential Water Service Outside the City Limits of Eugene

SCHEDULE R-2

- 1. Applicable
Outside the city limits of Eugene to all separately metered single-family residences, mobile homes, duplexes, triplexes, “quads,” townhouses, and multifamily structures with less than four Living Units.

Boarding, lodging, rooming houses or group care facilities shall also qualify for Residential Service if not more than five private sleeping rooms are used by other than members of the Customer's immediate family. When the majority of a dwelling is regularly used for the conduct of business, the entire dwelling shall be billed on the applicable General Service schedule.

- 2. Monthly Price (Resolution No. 1536)



Eugene Water & Electric Board

Customer Service Policy

The monthly price is composed of three charges: basic charge, volume charge and the pumping and delivery above the base charge, if applicable. The basic customer charge shall be according to the size of Meter provided.

Basic Charge

< 1"	\$ 26.50	per month
5/8"	\$ 26.50	per month
3/4"	\$ 27.55	per month
1"	\$ 35.75	per month
1-1/2"	\$ 54.70	per month
2"	\$ 98.00	per month

Volume Charge

First 8,000 gallons	\$1.841	per 1,000 gallons
The next 22,000 gallons.....	\$3.108	per 1,000 gallons
All over 30,000 gallons.....	\$5.034	per 1,000 gallons

Pumping and Delivery Charge Above the Base

Additional pumping and delivery charges, as applicable, on all gallons used per month, per 1,000 gallons.

Services at Base Level.....	None
Services at Level 1 (800 to 850 feet)	24.9¢ per 1,000 gallons
Services at Level 2 (975 feet).....	49.9¢ per 1,000 gallons
Services at Level 3 (1,150 to 1,325 feet)	73.8¢ per 1,000 gallons

Fixed Pumping and Delivery Above the Base

Level 1	\$ 3.00
Level 2	\$ 5.00
Level 3	\$ 7.00

F. General Service Inside the City Limits of Eugene

Closed to new Customers with consumption in excess of 500,000 gallons per day or 10 million gallons per month.



SCHEDULE G-1

1. Applicable

Within the city limits of Eugene to all Commercial, industrial, and Commercial irrigation uses, public buildings, churches, public and private schools, public and private hospitals, multifamily structures with four or more Living Units served through one Meter, and their Common Use Facilities.

This General Service schedule also applies to boarding, lodging, rooming houses or group care facilities where more than five private sleeping rooms are used by other than members of the Customer's immediate family, and in instances where the majority of a dwelling is regularly used for the conduct of business.

2. Monthly

Price

(Resolution No. 1634)

The monthly price is composed of three charges: basic charge, volume charge and the pumping and delivery above the base charge, if applicable. The basic charge shall be according to the size of Meter provided.

Basic Charge

< 1"	\$ 23.23	per month
5/8"	\$ 23.23	per month
3/4"	\$ 24.17	per month
1"	\$ 31.36	per month
1-1/2"	\$ 47.96	per month
2"	\$ 85.94	per month
3"	\$193.62	per month
4"	\$330.58	per month
6"	\$496.04	per month
8"	\$718.03	per month
10"	\$1,041.12	per month

Volume Charge

All gallons	\$ 2.829	per 1,000 gallons
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Pumping and Delivery Charge Above the Base

Additional pumping and delivery charges, as applicable, on all gallons used per month, per 1,000 gallons.

Services at Base Level.....		None
Services at Level 1 (800 to 850 feet).....	24.9¢	per 1,000 gallons
Services at Level 2 (975 feet).....	49.9¢	per 1,000 gallons
Services at Level 3 (1,150 to 1,325 feet)	73.8¢	per 1,000 gallons

Fixed Pumping and Delivery Above the Base

Level 1	\$3.00
Level 2	\$5.00
Level 3	\$7.00

3. **Minimum Charge**

Applicable monthly basic customer charge according to size of Meter provided.

4. **Flat Price for Fire Protection**

(Resolution No. 1634)

See Water Service Conditions, Flat Price Fire Protection Service, for identification.

Price per month per inch diameter of pipe	\$ 10.93
No charge per month shall be less than	\$ 43.72

5. **General Terms and Conditions**

Service under this schedule is subject to the policies and procedures of EWEB.

G. General Service Outside the City Limits of Eugene

Closed to new Customers with consumption in excess of 500,000 gallons per day or 10 million gallons per month.

SCHEDULE G-2

1. **Applicable**



Eugene Water & Electric Board

Customer Service Policy

This schedule is applicable to Residential, Commercial, industrial and other General Service use outside the city limits of Eugene according to whatever contract provisions may be required by EWEB.

Extension of service to new Customers, outside the city limits, Mahlon Sweet Airport, Lane Community College and within dissolved water districts may be subject to city council approval on extension of Water Service.

2. Monthly Rate

The monthly price is composed of three charges: basic charge, volume charge and the pumping and delivery above the base charge, if applicable. The basic customer charge shall be according to the size of Meter provided.

Basic Charge

< 1"	\$ 30.20	per month
5/8"	\$ 30.20	per month
3/4"	\$ 31.40	per month
1"	\$ 40.75	per month
1-1/2"	\$ 62.35	per month
2"	\$ 111.70	per month
3"	\$ 251.70	per month
4"	\$ 429.75	per month
6"	\$ 644.85	per month
8"	\$ 933.45	per month

Volume Charge

Plus all gallons used per month..... \$ 3.678 per 1,000 gallons

Pumping and Delivery Charge Above the Base

Additional pumping and delivery charges, as applicable, on all gallons used per month, per 1,000 gallons.

Services at Base Level		None
Services at Level 1 (800 to 850 feet)	24.9¢	per 1,000 gallons
Services at Level 2 (975 feet).....	49.9¢	per 1,000 gallons
Services at Level 3 (1,150 to 1,325 feet)	73.8¢	per 1,000 gallons



Fixed Pumping and Delivery Above the Base

Level 1	\$ 3.00
Level 2	\$ 5.00
Level 3	\$ 7.00

3. Minimum Charge

Applicable monthly basic customer charge according to size of Meter provided.

4. Flat Price for Fire Protection

(Resolution No. 1634)

See Water Utility, Section W-I-13, paragraph N, for identification.

Price per month per inch diameter of pipe.....	\$ 13.93
No charge per month shall be less than	\$ 55.72

5. General Terms and Conditions

Service under this schedule is subject to the policies and procedures of EWEB.

J. Surplus and Wholesale Water Sales

EWEB sells or disposes of surplus or wholesale water under agreements and with entities decided by EWEB. Such entities shall not resell water to another water Utility or entity without EWEB's written consent.

Schedule 4

1. Applicable

To the River Road Water District and Santa Clara Water District

2. Monthly Rate

Basic Charge.....\$3,510.33 per month

Volume Charge (Resolution No. 1634)

All gallons \$ 3.009 per 1,000 gallons



3. Minimum Charge

Applicable monthly basic charge.

4. General Terms and Conditions

Water sales under this schedule are subject to the policies and procedures of EWEB and provisions of the applicable surplus water sales contract.

Schedule 5

1. Applicable

To the Willamette Water Company.

2. Monthly Rate

(Resolution No. 1634)

Basic customer charge shall be according to the size of Meter provided.

Basic Charge

<1"	\$29.61	per month
5/8"	\$29.61	per month
3/4"	\$30.80	per month
1"	\$39.96	per month
1 – 1/2"	\$61.08	per month
2"	\$109.49	per month
3"	\$246.69	per month
4"	\$421.17	per month
6"	\$631.96	per month
8"	\$914.79	per month

Volume Charge

Plus all gallons..... \$ 3.770 per 1,000 gallons

3. Minimum Charge

Applicable monthly basic customer charge according to size of Meter provided.



Eugene Water & Electric Board

Customer Service Policy

4. General Terms and Conditions

Water sales under this schedule are subject to the policies and procedures of EWEB and provisions of the applicable surplus water sales contract.

Schedule 6

1. Applicable

To the City of Veneta.

2. Monthly Rate

(Resolution No. 1634)

Basic Charge..... \$927.48 per month

Volume Charge

All gallons \$ 1.172 per 1,000 gallons
 (Resolution No. 1634) (Resolution No. 1734)

3. Minimum Charge

Applicable monthly basic charge provided.

4. General Terms and Conditions

Water sales under this schedule are subject to the policies and procedures of EWEB and provisions of the applicable surplus water sales contract.

REVISION HISTORY

Version	Section Revised / Description	Resolution No.	Approved	Effective
1	Moved Water Prices from Water Utility Policy into Customer Service Policy, Appendix C	No. 1816	06/05/18	06/06/18
2	Added Developer Fees (07/10/18 Consent Calendar Amendment)	No. 1725	10/03/17	10/03/17



Eugene Water & Electric Board
2019 Proposed Budgets
December 4th, 2018

EUGENE WATER & ELECTRIC BOARD | 4200 Roosevelt Boulevard, Eugene OR | eweb.org



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Board of Commissioners



Commissioner:

John H. Brown, President

Ward:

Wards 4, 5

Term Expiration:

Term Expires First Meeting After 2022



Sonya Carlson, Vice President

Wards 6, 7

Term Expires First Meeting After 2020



Steve Mital

Wards 1, 8

Term Expires First Meeting After 2020



John Simpson

At Large

Term Expires First Meeting After 2018



Dick Helgeson

Wards 2, 3

Term Expires First Meeting After 2020



Table of Contents

Letter to the Board of Commissioners	1
Attachment 1 2019 Proposed Budgets	7
Attachment 2 Department Operations & Maintenance 2019 Budget Compared to Prior Years	12
Attachment 3 Labor and Employee Benefit Costs.....	24
Attachment 4 Reserve Information	26
Attachment 5 Budgeted Financial Ratios and Statistics	28



Letter to the Board of Commissioners

Board of Commissioners,

The 2019 Eugene Water & Electric Board Operations & Maintenance (O&M) and Capital & Debt Service proposed budgets, totaling \$265.9 million for the Electric Utility and \$40.3 million for the Water Utility, are submitted for your consideration and approval. The combined total for both Utilities is \$306.2 million which is approximately 2% above the 2018 budget. The increase was primarily driven by capital meter infrastructure upgrades. This investment supports EWEB's strategic direction in improving resiliency and fostering customer confidence, as well as our core values of Safety, Reliability, Responsibility and Community by providing customer-owners with better service, building a more resilient community by reducing outage response times, and creating a cleaner energy future. Both utilities are proposing no change in overall revenue requirement or price increases. This is the fourth out of five years that the Electric Utility has not increased prices, and last year the Water Utility decreased residential prices.

EWEB continues to focus on fostering customer confidence by aligning sustainable spending levels to customer-owners' expectations. Spending in 2019 to support the meter infrastructure replacement project allows us to work in partnership with our customer-owners to respond more effectively to water leaks and power outages. In addition, the meter infrastructure replacement project will support our strategic initiatives by providing demand side information to assist with decisions regarding EWEB's power supply portfolio. These decisions will be made in the context of climate change, new technology, developing markets and the need to synchronize supply and demand in a highly volatile and interconnected system.

The 2019 proposed budgets include funds to consolidate most operations to the Roosevelt Operations Center to take advantage of the efficiencies of being located in one facility.

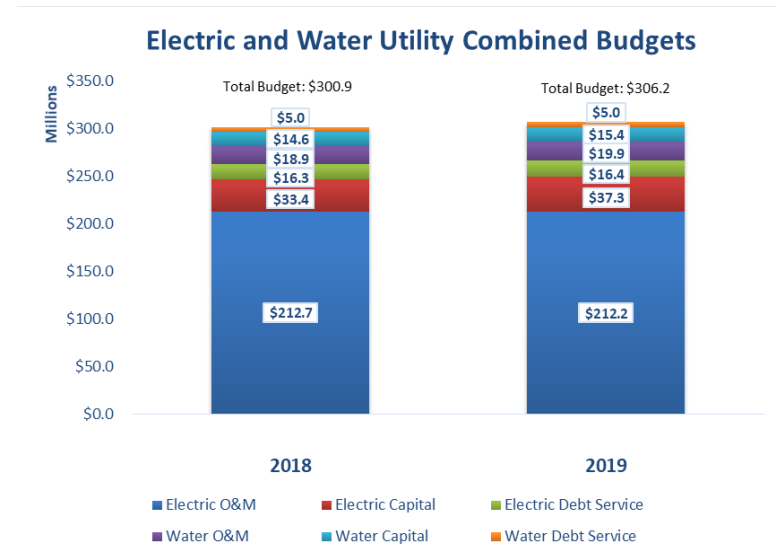
The proposed budgets also include critical infrastructure rehabilitation, high priority technology projects designed to enhance our customer-owners' ability to make informed choices. EWEB is committed to investing in emergency preparedness and response, including emergency water stations across the community and

water supply trailers. 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.

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 17% from projections of 19% and 26% in 2017 and 2016, respectively, through a combination of cost containment and use of reserves to smooth price increases.

The Water Utility's long-term financial plan also indicates future price increases to meet revenue requirements which will be used to support modernization and resiliency projects.

The following chart depicts the combined Electric and Water budgets for 2018 and 2019.



Lane County's economy is predicted to have employment growth of 3.0% according to the September 2018 State of Oregon Employment Department, Economic Forecast. Industry sectors such as medical facilities, leisure and hospitality, and construction are planning growth and expansion in the near future. EWEB's adopted integrated resource plan indicates the current supply of

resources will meet its customer-owners' energy requirements for the next ten years. For the 2019 proposed budgets, base retail load remains similar to 2018 budget levels – however EWEB is proposing developing programs to incent customer-owners to use our carbon-responsible power as an alternative to other forms of fuel.

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 (DSC) targets for the Electric Utility difficult. Over the last few years, Management has proactively taken actions to reduce debt service costs:

1. Paid off \$28 million debt issued to purchase a share of Harvest Wind Project (2015)
2. Applied proceeds from the Smith Creek Project sale plus cash reserves to pay off \$29 million debt and refunded \$126 million of bonds which resulted in savings of \$19 million (2016)
3. Defeased \$35 million in debt, using cash reserves, resulting in an annual debt service savings of \$3.2 million (2017)
4. Reduced projected spending on Carmen-Smith and planned use of Headquarters sale proceeds to reduce borrowing for relicensing by \$17.5 million

These actions have or will result in significant improvement to the 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's challenged financial metric historically has been maintaining cash reserves at or above the Board approved targets. The long-term financial plan ramps up the meter infrastructure upgrade costs in 2019 with completion by end of 2021. Along with this, a second filtration plant to increase resiliency is being considered. Both of these projects will put pressure on cash/reserves for the latter years of the ten-year plan. The Water

Utility has managed this by strategically reducing costs, designing price structures that increase fixed cost recovery, asset sales, and prudently using reserves to strengthen financial metrics.

EWEB continues to be a strong community partner as evidenced by its Community Care Program that provides assistance for limited income customers of approximately \$1.5 million. Additionally, EWEB provides approximately \$500,000 annually in grants to local schools and \$250,000 for green power and solar programs. In 2019, EWEB will be providing \$500,000 in Efficient Electrification to incentivize conversion to low carbon, electric fuel.

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 continued low wholesale revenues. The low wholesale prices, 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

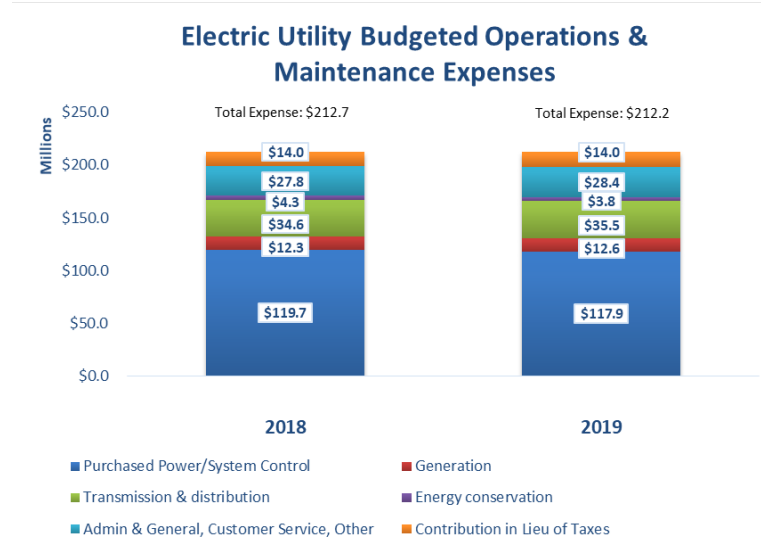
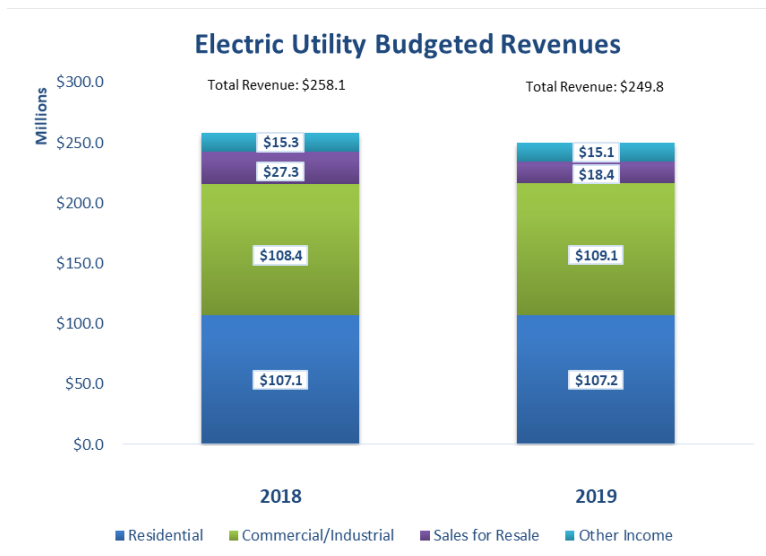
The proposed 2019 Electric O&M budget is \$212.2 million versus the 2018 O&M budget of \$212.7 million. The decrease is driven by a change in shared services allocation between utilities and reductions in purchased power. These savings are partially offset by increases in O&M due to escalations in wages and non-labor O&M. Lower purchased power costs are a result of reduced hub balancing activities that impact both purchased power expense and wholesale revenues, partially offset by higher BPA prices. The budget assumes a contribution margin risk tolerance of \$3.0 million, which protects the Utility against revenue declines that are beyond

its control. This allows hydro generation to drop to 90%, a 2.4% load reduction, or a 47% wholesale price reduction before revenues will drop 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 a \$2.2 million deposit to reserves. Annually, staff makes recommendations regarding the use of reserves above target to align with the Board approved strategic plan and maintain or improve the Utility's financial position.

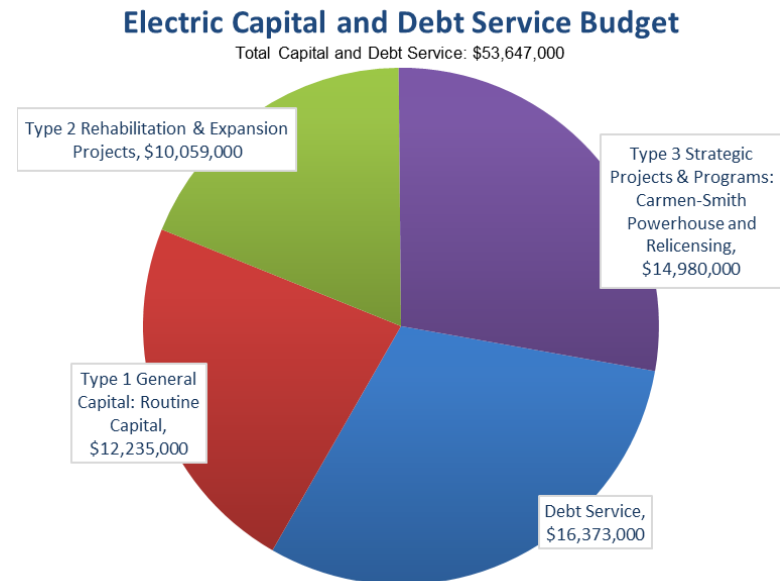
On the revenue side, retail revenue is largely consistent with 2018, however wholesale revenue has fallen by \$8.9 million between 2018 and 2019. The reduction in sales for resale is primarily due to lower volumes from Carmen-Smith dam due to construction, increased BPA spills for fish passage, lower wholesale prices for power, and the impact of hub balancing activity mentioned earlier.

The following two charts compare the Electric 2018 and 2019 O&M revenue and expense budgets.



Capital and Debt Service Budget

The Electric Capital and Debt Service budget of \$53.7 million is \$3.7 million higher than the 2018 budget. This is primarily due to increased capital related to meter infrastructure replacement. The following chart details the budget by type of cost.



General capital work targets replacing aging infrastructure in an effort to maintain reliability. Major rehabilitation and expansion work includes distribution system resiliency projects and meter infrastructure upgrades. Approximately \$19.0 million of the capital work will be funded with electric prices. Additional detail on the capital budget is included in Attachment 1.

Water Utility

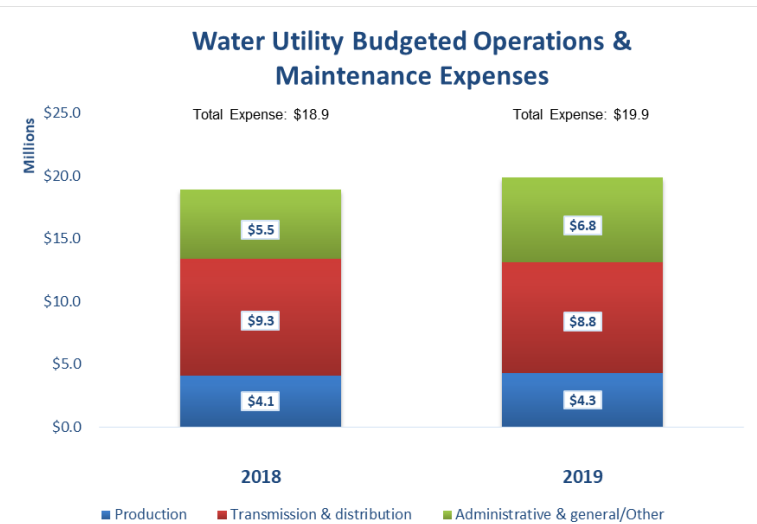
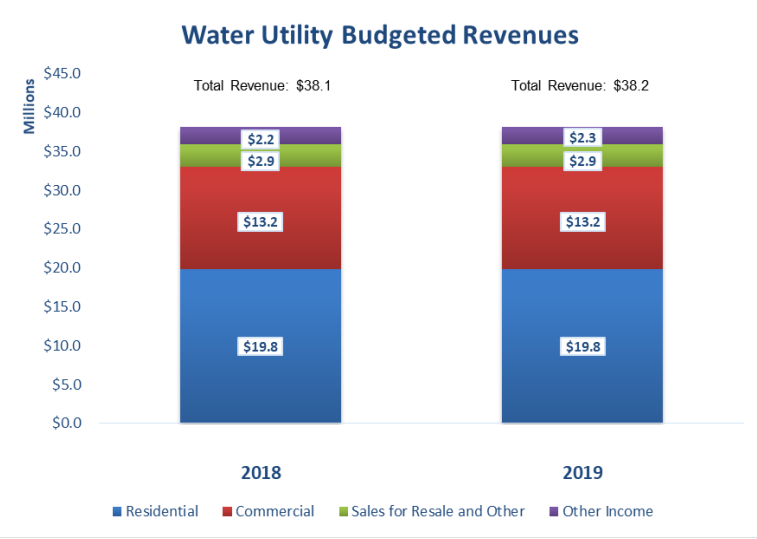
Overview

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 2019 Water Utility O&M budget is \$19.9 million compared to \$18.9 million in 2018. The budget assumes sales of 7.8 billion gallons which is the same as was budgeted in 2018. Residential revenue makes up 57% of the Water Utility's total revenues and 37% is from commercial sales. Operating expenses are \$1 million more than last year, largely driven by a shift in the Shared Services allocation from the Electric Utility to the Water Utility. Administration and General (A&G), where Shared Services are expensed, has increased by \$1.3 million. Another contributor to the increase in A&G is the addition of the Advanced Meter Services department which was formed to facilitate the meter infrastructure upgrade.

The budget results in a \$3.7 million deposit to reserves. The Board allocates excess working cash to specific reserve funds after the completion of the annual audit. The following charts compare the 2019 and 2018 Water Utility budgeted O&M Revenues and Expenses.



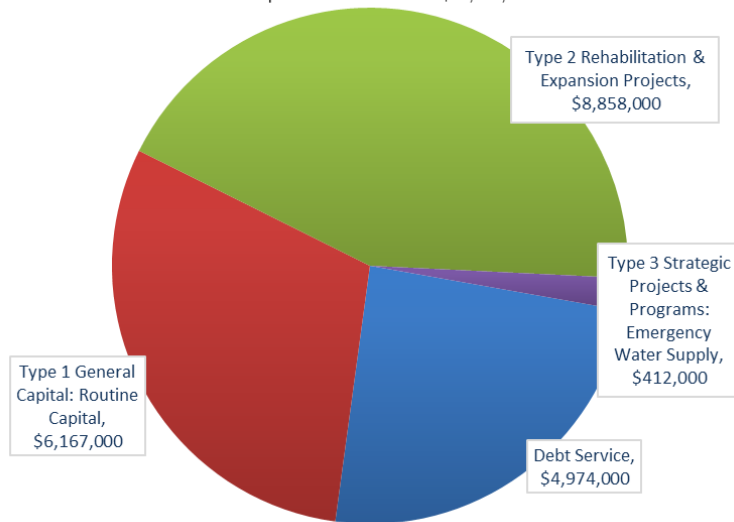
Capital and Debt Service Budget

The Water Capital and Debt Service budget of \$20.4 million reflects a slight increase from the 2018 budget primarily driven by increased capital spending to support meter upgrades. 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. Rehabilitation and Expansion projects includes smart meter infrastructure upgrades and replacement of the disinfection system at Hayden Bridge. The budget also includes funding for emergency preparedness projects including emergency water stations, which are a joint effort with community partners such as school districts, to provide potable water in the event of an emergency or natural disaster. Depending on the type of project, funding is through water retail prices, customer contributions, or bonds.

The 2019 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. Work on phase two, creating consumption flexibility, has begun in earnest with the upgrades to our meter infrastructure that have started. As phase two begins, we will continue to 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 focus, and I 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."

Water Capital and Debt Service Budget

Total Capital and Debt Service: \$20,411,000



Respectfully submitted,

Frank Lawson, General Manager

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Attachment 1
2019 Proposed Budgets

EUGENE WATER & ELECTRIC BOARD
ELECTRIC UTILITY OPERATIONS & MAINTENANCE BUDGET AND REVENUE REQUIREMENTS
2019 BUDGET COMPARED WITH 2018 BUDGET AND 2017 ACTUAL

	2019 Proposed Budget		2018 Adopted Budget		2017 Actual	
	MWH	Revenue and Expense	MWH	Revenue and Expense	MWH	Revenue and Expense
Residential	940,000	\$ 107,235,000	943,000	\$ 107,054,000	986,000	\$ 104,263,000
Commercial	874,000	79,153,000	884,000	78,587,000	914,000	74,060,000
Industrial	560,000	29,901,000	559,000	29,799,000	555,000	29,054,000
Retail sales	2,374,000	216,289,000	2,386,000	215,440,000	2,455,000	207,377,000
Wholesale sales ¹	1,505,000	18,354,000	1,561,000	27,267,000	1,997,000	39,250,000
Other Operating Revenues		7,720,000		7,383,000		8,017,000
	<u>3,879,000</u>	<u>242,363,000</u>	<u>3,947,000</u>	<u>250,090,000</u>	<u>4,452,000</u>	<u>254,644,000</u>
Other revenue		3,633,000		5,477,000		7,339,000
Interest earnings		3,769,000		2,465,000		5,233,000
Non-operating revenues		7,402,000		7,942,000		12,572,000
Total revenues		<u>249,765,000</u>		<u>258,032,000</u>		<u>267,216,000</u>
Purchased Power		113,019,000		114,996,000		118,166,000
System control		4,911,000		4,692,000		4,918,000
Generation		12,591,000		12,338,000		11,363,000
Wheeling		13,328,000		13,795,000		13,915,000
Transmission & distribution		22,212,000		20,848,000		21,737,000
Customer accounting		9,001,000		7,050,000		8,412,000
Energy conservation		3,847,000		4,341,000		4,061,000
Administrative & general		21,367,000		22,040,000		22,828,000
Operating expenses		<u>200,276,000</u>		<u>200,100,000</u>		<u>205,400,000</u>
Contributions in lieu of taxes		14,023,000		14,012,000		- ²
Change in balance sheet accounts/ other expenses		(2,100,000)		(1,363,000)		42,522,000 ³
Non-operating expenses		11,923,000		12,649,000		42,522,000
Total operations and maintenance expenses		<u>212,199,000</u>		<u>212,749,000</u>		<u>247,922,000</u>
Rate funded capital		19,003,000		17,430,000		
Rate funded debt service		16,373,000		16,286,000		
Total rate funded capital related expenses		35,376,000		33,716,000		
Total rate funded expenses		<u>247,575,000</u>		<u>246,465,000</u>		
Revenues over/(under) expenses		<u>\$ 2,190,000</u>		<u>\$ 11,567,000</u>		
Deposit to Working Cash/Reserves		2,190,000 ⁴		11,567,000		
Net change in reserves		<u>\$ 2,190,000</u>		<u>\$ 11,567,000</u>		
Change in Net Position						<u>\$ 19,294,000 ⁵</u>

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

² 2017 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
2019 BUDGET COMPARED WITH 2018 BUDGET**

	2019 Proposed Budget	2018 Adopted Budget
Funding Source by Type		
<u>Source of Funds</u>		
Retail Revenue	\$ 19,003,000	\$ 17,430,000
Draw on Carmen Smith Reserves	-	-
Bond Proceeds	14,980,000	13,700,000
Customer Contributions in Aid	2,550,000	2,063,000
Grant Funding	741,000	215,000
Total Source of Funds	<u>37,274,000</u>	<u>33,408,000</u>
Expenditures by Type		
<u>Type 1- General Capital</u> ¹		
Electric Infrastructure- Generation	1,657,000	2,020,000
Electric Infrastructure- Substations	2,000,000	1,435,000
Electric Infrastructure- Transmission & Distribution	6,700,000	6,020,000
General Plant- Information Technology	954,000	965,000
General Plant- Buildings & Land	200,000	390,000
General Plant- Fleet	345,000	510,000
Telecommunications	379,000	427,000
Total Type 1	<u>12,235,000</u>	<u>11,767,000</u>
<u>Type 2- Rehabilitation & Expansion Projects</u> ²		
Downtown Network	800,000	1,026,000
Consolidation of Operations	750,000	615,000
Resiliency	1,354,000	365,000
Upriver Re-Configuration/ Holden Creek Substation	600,000	977,000
Information Technology	1,690,000	4,288,000
Electric Meters	4,565,000	670,000
Telecommunications	300,000	-
Total Type 2	<u>10,059,000</u>	<u>7,941,000</u>
<u>Type 3- Strategic Projects & Programs</u> ³		
Carmen Smith Relicensing	14,980,000	13,700,000
Total Type 3	<u>14,980,000</u>	<u>13,700,000</u>
Total Electric Capital Budget	<u>37,274,000</u>	<u>33,408,000</u>
Rate Funded Debt Service	<u>16,373,000</u>	<u>16,286,000</u>
Total Electric Capital and Debt Service Budget	<u>\$ 53,647,000</u>	<u>\$ 49,694,000</u>

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
2019 BUDGET COMPARED WITH 2018 BUDGET AND 2017 ACTUAL

	2019 Proposed Budget		2018 Adopted Budget		2017 Actual	
	Gal (000)	Revenue and Expense	Gal (000)	Revenue and Expense	Gal (000)	Revenue and Expense
Residential	3,798,000	\$ 19,773,000	3,798,000	\$ 19,773,000	3,872,000	\$ 20,982,000
Commercial	3,320,000	13,234,000	3,320,000	13,234,000	3,473,000	14,713,000
Sales for Resale and Other	682,000	2,905,000	682,000	2,905,000	715,000	3,869,000
Operating revenues	<u>7,800,000</u>	<u>35,912,000</u>	<u>7,800,000</u>	<u>35,912,000</u>	<u>8,060,000</u>	<u>39,564,000</u>
Other revenue		1,357,000		1,540,000		133,000
Interest income		925,000		630,000		457,000
Non-operating revenues		<u>2,282,000</u>		<u>2,170,000</u>		<u>590,000</u>
Total revenues		<u>38,194,000</u>		<u>38,082,000</u>		<u>40,154,000</u>
Production		4,337,000		4,085,000		\$ 5,981,000
Transmission & distribution		8,766,000		9,284,000		6,280,000
Customer accounting		1,989,000		1,278,000		1,670,000
Conservation		660,000		573,000		359,000
Administrative & general		4,383,000		3,906,000		4,557,000
Operating expenses		<u>20,135,000</u>		<u>19,126,000</u>		<u>18,847,000</u>
Change in balance sheet accounts/ other expenses		<u>(262,000)</u>		<u>(230,000)</u>		<u>8,981,000²</u>
Non-operating expenses		<u>(262,000)</u>		<u>(230,000)</u>		<u>8,981,000</u>
Total operations and maintenance expenses		<u>19,873,000</u>		<u>18,896,000</u>		<u>27,828,000</u>
Rate funded capital		9,697,000		8,179,000		
Rate funded debt service		4,974,000		4,965,000		
Total rate funded capital related expenses		<u>14,671,000</u>		<u>13,144,000</u>		
Total rate funded expenses		<u>34,544,000</u>		<u>32,040,000</u>		
Revenues over expenses		<u>\$ 3,650,000</u>		<u>\$ 6,042,000</u>		
Deposit to Working Cash/Reserves		<u>3,650,000¹</u>		<u>6,042,000</u>		
Net change in reserves		<u>\$ 3,650,000</u>		<u>\$ 6,042,000</u>		
Change in Net Position						<u>\$ 12,326,000³</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
2019 BUDGET COMPARED WITH 2018 BUDGET**

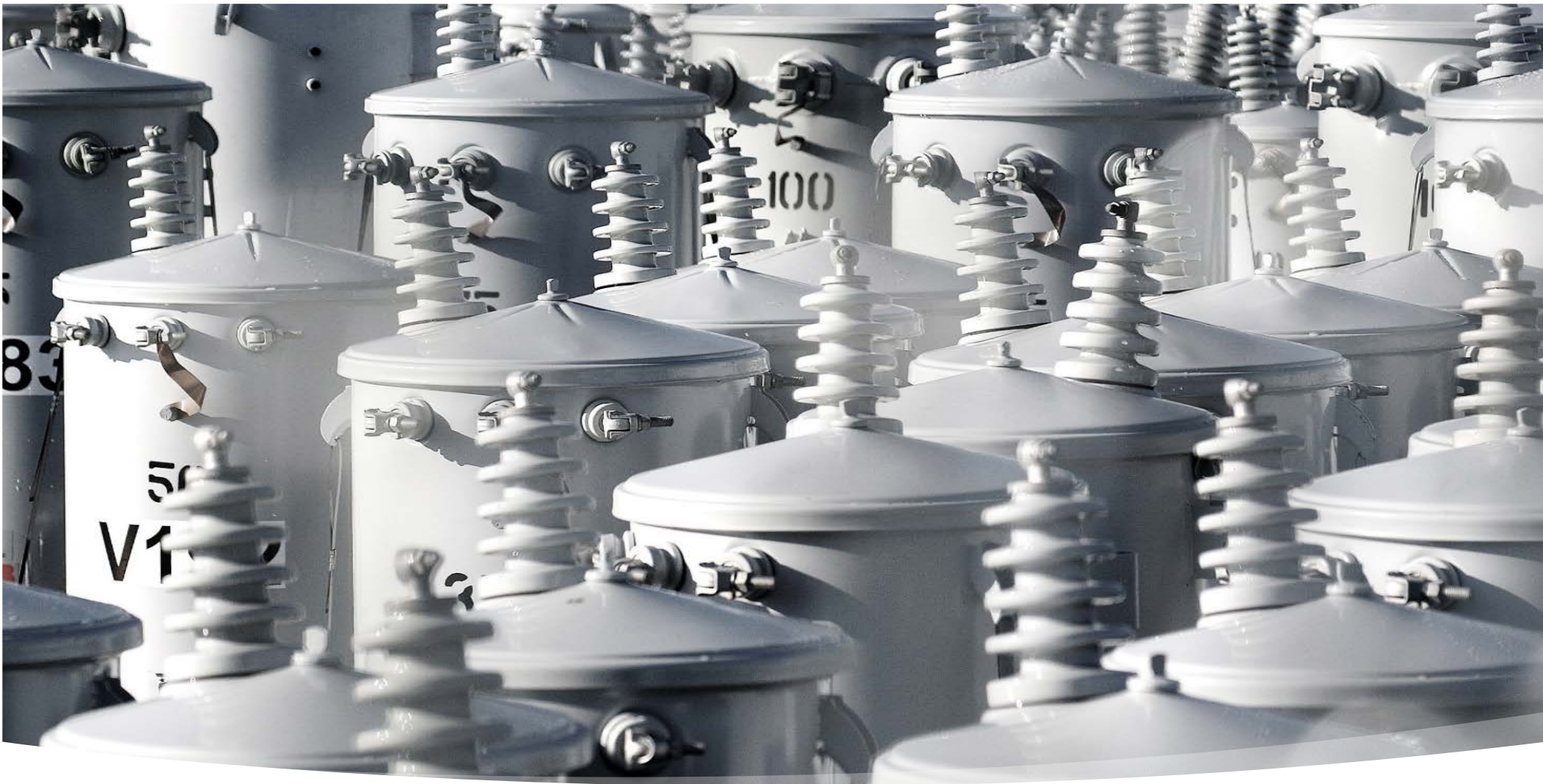
	2019 Proposed Budget	2018 Adopted Budget
Funding Source by Type		
<u>Source of Funds</u>		
Retail Revenue	\$ 9,285,000	\$ 7,149,000
Draw on AWS Reserve	412,000	1,030,000
Bond Proceeds	4,121,000	4,911,000
Customer Contributions in Aid	1,169,000	1,133,000
System Development Charges	450,000	412,000
Total Source of Funds	15,437,000	14,635,000
 Expenditures by Type		
<u>Type 1 - General Capital¹</u>		
Source - Water Intakes & Filtration Plant	216,000	577,000
Distribution & Pipe Services	4,214,000	5,014,000
Distribution Facilities	999,000	896,000
Information Technology	146,000	245,000
Buildings, Land & Fleet	592,000	399,000
Total Type 1	6,167,000	7,131,000
 <u>Type 2- Rehabilitation & Expansion Projects²</u>		
Source - Water Intakes & Filtration Plant	1,802,000	3,286,000
Distribution	618,000	1,663,000
Water Meters	5,768,000	600,000
Information Technology	420,000	790,000
Consolidation of Operations	250,000	135,000
Total Type 2	8,858,000	6,474,000
 <u>Type 3- Strategic Projects & Programs³</u>		
Emergency Water Supply	412,000	1,030,000
Total Type 3	412,000	1,030,000
Total Water Capital Budget	15,437,000	14,635,000
Rate Funded Debt Service	4,974,000	4,965,000
Total Water Capital and Debt Service Budget	\$ 20,411,000	\$ 19,600,000

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

²Type 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

³Type 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

2019 Proposed Budget Compared to Prior Years

Eugene Water & Electric Board – Department Operations & Maintenance Budget: 2019

Summary

	2019 Proposed Budget		2018 Approved Budget		2017 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Building Operations, Physical Security and Fleet Services	24	\$6,867,000	23	\$6,645,000	31	\$6,921,000
Customer Service and Solutions	80	15,384,000	75	15,115,000	103	15,598,000
Electric	126	22,654,000	121	22,271,000	123	22,910,000
Energy	64	157,377,000 ¹	62	156,979,000 ¹	60	162,850,000 ¹
Finance	50	9,336,000	45	8,561,000	48	8,129,000
General Manager	4	1,004,000	4	948,000	3	691,000
Human Resources	12	2,676,000	12	2,669,000	13	2,826,000
Information Services	53	11,440,000	53	10,471,000	57	11,262,000
Water	91	14,334,000	88	14,584,000	91	13,430,000
Total Operations and Maintenance Budget	504	\$241,072,000	483	\$238,243,000	529	\$244,617,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. 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

	2019 Proposed Budget		2018 Approved Budget		2017 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	24	\$2,772,000	23	\$2,589,000	31	\$3,047,000
Purchases						
Stores Materials and Supplies		7,000		8,000		10,000
EWEB Equipment		795,000		794,000		762,000
Maintenance and Repairs		13,000		23,000		8,000
Equipment		10,000		10,000		-
Energy		605,000 ¹		680,000		628,000
Water		165,000		165,000		169,000
Fuels		100,000 ¹		25,000		-
Vehicle Fuel and Oil		456,000		447,000		387,000
Materials and Supplies		212,000		219,000		193,000
Technology / Office Equipment		89,000		106,000		63,000
Total Purchases		\$2,452,000		\$2,477,000		\$2,220,000
Services						
Contract Labor		20,000		71,000		277,000 ²
Construction Agreements		942,000 ³		690,000		676,000
Miscellaneous Services		27,000		32,000		24,000
Professional and Technical Services		510,000		590,000		510,000
Software/Hardware Maintenance and Services		53,000		80,000		15,000
Property Rent		8,000		5,000		6,000
Printing and Postage		1,000		1,000		1,000
Fees and Licenses		14,000		16,000		15,000
Insurance		-		-		2,000
Training and Travel		68,000		58,000		46,000
Grants		- ⁴		36,000		82,000
Total Services		\$1,643,000		\$1,579,000		\$1,654,000
Total	24	\$6,867,000	23	\$6,645,000	31	\$6,921,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. 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 Energy and Fuels to more accurately reflect anticipated expenditures

² Budgeted in Construction Agreements. Actual expensed to Contract Labor to better align with nature of expenditure

³ Increase due to consolidation of operations to Roosevelt Operations Center

⁴ Grant budgeted under water source protection which moved to Water Division in 2018

Customer Service and Solutions

Operations & Maintenance Budget

	2019 Proposed Budget		2018 Approved Budget		2017 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	80	\$8,669,000	75	\$8,639,000	103	\$9,343,000
Purchases						
Stores Materials and Supplies		25,000		31,000		32,000
EWEB Equipment		210,000		273,000		201,000
Maintenance and Repairs		1,000		1,000		1,000
Materials and Supplies		65,000		78,000		48,000
Technology / Office Equipment		28,000		40,000		12,000
Total Purchases		\$329,000		\$423,000		\$294,000
Services						
Contract Labor		46,000 ¹		142,000		97,000
Conservation Measures and Incentives		2,655,000		2,540,000		2,215,000
Electrification Incentive		500,000 ²		-		-
Miscellaneous Services		73,000		82,000		70,000
Professional and Technical Services		956,000		1,015,000		842,000
Software/Hardware Maintenance and Services		50,000		152,000		179,000
Legal Services		37,000		62,000		7,000
Printing and Postage		56,000		56,000 ³		394,000
Fees and Licenses		2,000		2,000		5,000
Training and Travel		215,000		196,000		77,000 ⁴
Grants		846,000		856,000		560,000
Uncollectable Accounts		-		- ⁵		311,000
Limited Income Services		950,000		950,000		1,204,000
Total Services		\$6,386,000		\$6,053,000		\$5,961,000
Total	80	\$15,384,000	75	\$15,115,000	103	\$15,598,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. FTE by division may not be comparable between years.

Accordingly, budgeted and actual dollars may not directly align with FTE

¹ Decrease in Contract Labor required for Customer Information System

² Efficient Electrification Incentives, new in 2019 Budget

³ Printing and Postage for customer billing transferred to Information Services Division

⁴ Limited Travel and training expense due to pending reorganization of Customer Service Division

⁵ Budget for Uncollectible Accounts moved from Customer Service to Finance

Electric

Operations & Maintenance Budget

	2019 Proposed Budget		2018 Approved Budget		2017 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	126	\$15,288,000	121	\$14,716,000	123	\$15,119,000
Purchases						
Stores Materials and Supplies		408,000		356,000		528,000
EWEB Equipment		1,450,000		1,453,000		1,413,000
Maintenance and Repairs		66,000		38,000		75,000
Equipment		10,000		16,000		6,000
Energy		8,000		8,000		11,000
Water		19,000		15,000		28,000
Fuels		-		-		1,000
Vehicle Fuel and Oil		10,000		10,000		12,000
Materials and Supplies		403,000 ¹		670,000		569,000
Technology / Office Equipment		13,000		113,000		20,000
Total Purchases		\$2,387,000		\$2,679,000		\$2,663,000
Services						
Contract Labor		170,000		96,000		160,000
Construction Agreements		3,181,000		3,363,000		3,292,000
Miscellaneous Services		103,000		242,000 ²		419,000
Professional and Technical Services		257,000 ³		95,000 ²		236,000
Software/Hardware Maintenance and Services		230,000		129,000		296,000
Property Rent		100,000		66,000		105,000
Printing and Postage		3,000		3,000		3,000
Fees and Licenses		554,000		650,000		388,000
Training and Travel		380,000 ⁴		231,000		226,000
Grants		1,000		1,000		3,000
Total Services		\$4,979,000		\$4,876,000		\$5,128,000
Total	126	\$22,654,000	121	\$22,271,000	123	\$22,910,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. FTE by division may not be comparable between years.

Accordingly, budgeted and actual dollars may not directly align with FTE

¹ Telecom budget moved to Capital

² Reallocation of budget between Miscellaneous Services, Professional and Technical services and steam generator maintenance work moved to Energy.

2017 was high due to storm related expenses

³ Increase due to electric transmission tower inspections

⁴ Increased Grounding, Transformers, Network, NWPPA, ARCOS, and joint use code review training for line and construction operations department

Energy

Operations & Maintenance Budget

	2019 Proposed Budget		2018 Approved Budget		2017 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	64	\$9,004,000	62	\$8,361,000	60	\$8,255,000
Purchases						
Stores Materials and Supplies		7,000		9,000		16,000
EWEB Equipment		539,000		527,000		544,000
Maintenance and Repairs		23,000		22,000		29,000
Equipment		9,000		15,000		4,000
Energy		124,245,000		124,065,000		131,041,000
Water		1,000		3,000		-
Fuels		1,489,000		1,568,000		1,187,000
Vehicle Fuel and Oil		-		-		2,000
Materials and Supplies		204,000		211,000		210,000
Technology / Office Equipment		14,000		15,000		13,000
Total Purchases		\$126,531,000		\$126,435,000		\$133,046,000
Services						
Contract Labor		60,000		70,000		50,000
Wheeling		13,328,000		13,795,000		13,915,000
Construction Agreements		4,591,000 ¹		4,336,000		3,417,000
Miscellaneous Services		427,000		345,000		470,000
Professional and Technical Services		1,647,000		1,911,000 ²		1,329,000
Software/Hardware Maintenance and Services		708,000		684,000		707,000
Property Rent		100,000		137,000		61,000
Legal Services		275,000		170,000		397,000
Printing and Postage		3,000		3,000		5,000
Fees and Licenses		493,000		530,000		559,000
Training and Travel		210,000		202,000		120,000
Grants		-		-		519,000 ³
Total Services		\$21,842,000		\$22,183,000		\$21,549,000
Total	64	\$157,377,000	62	\$156,979,000	60	\$162,850,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. FTE by division may not be comparable between years.

Accordingly, budgeted and actual dollars may not directly align with FTE.

¹ Increase in Construction Agreements due to scheduled maintenance on steam unit

² Increase due to International Paper scheduled maintenance budgeted in 2018

³ One-time donation to McKenzie River Trust part of Finn Rock property acquisition

Finance

Operations & Maintenance Budget

	2019 Proposed Budget		2018 Approved Budget		2017 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	50	\$6,171,000	45	\$5,462,000	48	\$5,678,000
<u>Purchases</u>						
Stores Materials and Supplies		2,000		2,000		2,000
EWEB Equipment		20,000		22,000		26,000
Maintenance and Repairs		5,000		7,000		2,000
Materials and Supplies		49,000		26,000		18,000
Technology / Office Equipment		23,000		14,000		3,000
Total Purchases		\$99,000		\$71,000		\$51,000
<u>Services</u>						
Contract Labor		34,000 ¹		127,000		104,000
Miscellaneous Services		100,000		91,000		110,000
Professional and Technical Services		1,322,000 ²		1,150,000		1,155,000
Software/Hardware Maintenance and Services		2,000		67,000		70,000
Property Rent		12,000		1,000		1,000
Legal Services		193,000		190,000		159,000
Printing and Postage		1,000		1,000		-
Fees and Licenses		60,000		61,000		55,000
Insurance		790,000		775,000		690,000
Training and Travel		100,000		81,000		56,000
Uncollectable Accounts		452,000		484,000 ³		-
Total Services		\$3,066,000		\$3,028,000		\$2,400,000
Total	50	\$9,336,000	45	\$8,561,000	48	\$8,129,000

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

¹ Budget reduced due to delay of Customer Information System project

² Increased expenses for credit card transaction fees

³ Budget for Uncollectible Accounts moved from Customer Service to Finance

General Manager

Operations & Maintenance Budget

	2019 Proposed Budget		2018 Approved Budget		2017 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	4	\$836,000	4	\$784,000	3	\$591,000
<u>Purchases</u>						
Materials and Supplies		20,000		11,000		8,000
Technology / Office Equipment		4,000		4,000		1,000
Total Purchases		\$24,000		\$15,000		\$9,000
<u>Services</u>						
Miscellaneous Services		38,000		37,000		35,000
Professional and Technical Services		20,000		9,000		25,000
Legal Services		10,000		-		-
Printing and Postage		4,000		5,000		3,000
Training and Travel		52,000		64,000		24,000
Grants		20,000		34,000		4,000
Total Services		\$144,000		\$149,000		\$91,000
Total	4	\$1,004,000	4	\$948,000	3	\$691,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. 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

	2019 Proposed Budget		2018 Approved Budget		2017 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	12	\$1,819,000	12	\$1,701,000	13	\$1,785,000
<u>Purchases</u>						
EWEB Equipment		7,000		-		2,000
Equipment		2,000		2,000		5,000
Materials and Supplies		62,000		57,000		58,000
Technology / Office Equipment		19,000		20,000		5,000
Total Purchases		\$90,000		\$79,000		\$70,000
<u>Services</u>						
Contract Labor		10,000		10,000		23,000
Construction Agreements		6,000		6,000		9,000
Miscellaneous Services		48,000		28,000		25,000
Professional and Technical Services		354,000		550,000 ¹		644,000 ¹
Software/Hardware Maintenance and Services		75,000		75,000		72,000
Legal Services		130,000		130,000		160,000
Printing and Postage		3,000		3,000		1,000
Fees and Licenses		-		-		2,000
Training and Travel		141,000 ²		87,000		34,000
Grants		-		-		1,000
Total Services		\$767,000		\$889,000		\$971,000
Total	12	\$2,676,000	12	\$2,669,000	13	\$2,826,000

* FTE represents budgeted total and may include FTE assigned to the Capital Budget. 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

² Increase in tuition assistance program

Information Services

Operations & Maintenance Budget

	2019 Proposed Budget		2018 Approved Budget		2017 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	53	\$7,435,000	53	\$6,747,000	57	\$7,220,000
<u>Purchases</u>						
Materials and Supplies		8,000		16,000		11,000
Technology / Office Equipment		431,000 ¹		169,000		390,000
Total Purchases		\$439,000		\$185,000		\$401,000
<u>Services</u>						
Contract Labor		24,000		5,000		38,000
Miscellaneous Services		122,000		202,000		265,000
Professional and Technical Services		226,000		357,000		314,000
Software/Hardware Maintenance and Services		2,635,000		2,434,000		2,724,000
Printing and Postage		325,000		326,000 ²		-
Fees and Licenses		74,000		70,000		152,000
Training and Travel		160,000		145,000		148,000
Total Services		\$3,566,000		\$3,539,000		\$3,641,000
Total	53	\$11,440,000	53	\$10,471,000	57	\$11,262,000

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

¹ Increased budget for equipment replacement

² Printing and Postage for customer billing transferred from Customer Service

Water

Operations & Maintenance Budget

	2019 Proposed Budget		2018 Approved Budget		2017 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	91	\$8,990,000	88	\$8,897,000	91	\$8,631,000
<u>Purchases</u>						
Stores Materials and Supplies		357,000		367,000		460,000
EWEB Equipment		967,000		1,045,000		895,000
Maintenance and Repairs		31,000		31,000		29,000
Equipment		70,000		67,000		51,000
Energy		1,047,000		1,047,000		938,000
Water		25,000		23,000		26,000
Fuels		1,000		1,000		1,000
Materials and Supplies		699,000		661,000		608,000
Technology / Office Equipment		33,000		49,000		22,000
Total Purchases		\$3,230,000		\$3,291,000		\$3,030,000
<u>Services</u>						
Contract Labor		90,000		332,000 ¹		54,000
Conservation Measures and Incentives		50,000		10,000		24,000
Construction Agreements		706,000		875,000		715,000
Miscellaneous Services		111,000		102,000		84,000
Professional and Technical Services		874,000		810,000 ²		712,000
Software/Hardware Maintenance and Services		73,000		45,000		54,000
Legal Services		-		-		1,000
Printing and Postage		13,000		14,000		7,000
Fees and Licenses		88,000		87,000		72,000
Training and Travel		82,000		74,000		44,000
Grants		27,000		47,000 ³		2,000
Total Services		\$2,114,000		\$2,396,000		\$1,769,000
Total	91	\$14,334,000	88	\$14,584,000	91	\$13,430,000

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

¹ Contract labor for emergent repairs converted to FTE in 2019

² Water source protection moved from Building Operations, Physical Security and Fleet Division in 2018

³ Grant budgeted under water source protection which moved from Building Operations, Physical Security and Fleet Division in 2018

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Attachment 3

Labor and Employee Benefit Costs

**EUGENE WATER & ELECTRIC BOARD
LABOR AND EMPLOYEE BENEFITS
2019 BUDGET COMPARED WITH 2018 BUDGET AND 2017 ACTUAL**

	2019 Proposed Budget		2018 Approved Budget		2017 Actual	
	Budget	% of Total wages	Budget	% of Total wages	Actual	% of Total wages
Wages & benefits						
Regular Wages	\$43,343,000	96.9%	\$40,983,000	96.7%	\$39,918,000	89.6%
Premium Wages	1,387,000	3.1%	1,398,000	3.3%	4,610,000	10.4%
Total wages	44,730,000	100.0%	42,381,000	100.0%	44,528,000	100.0%
Public employees retirement fund	13,188,000	29.5%	12,626,000	29.80%	11,756,000	26.4%
Other benefits - employer contribution ¹	3,980,000	8.9%	3,962,000	9.0%	3,385,000	7.6%
Health insurance ²	8,951,000	20.0%	8,182,000	19.3%	8,153,000	18.3%
Post-retirement medical ³	1,350,000	3.0%	720,000	1.7%	1,549,000	3.5%
Long-term disability	273,000	0.6%	258,000	0.6%	252,000	0.6%
Life insurance	330,000	0.7%	312,000	0.7%	326,000	0.7%
Total benefits	28,072,000	62.7%	26,060,000	61.4%	25,421,000	57.1%
Total wages & benefits	\$72,802,000		\$68,441,000		\$69,949,000	

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

² Includes Voluntary Employee's Beneficiary Association (VEBA) expense

³ Actuarially determined



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	12/31/18 Projected ¹	12/31/19 Projected ¹	Target	12/31/18 Projected ¹	12/31/19 Projected ¹
Reserves						
Operating and Self-Insurance	\$ 3,720	\$ 3,900	\$ 3,900	\$ 1,300	\$ 1,300	\$ 1,300
Power Operating	17,000	17,000	17,000			
Capital Improvement ³	22,000	25,200	24,900	7,000	8,800	7,000
Total Reserves	42,720	46,100	45,800	8,300	10,100	8,300
Board Designated Funds⁴						
Rate Stabilization Fund	5,000	37,000	37,000	1,000	1,300	1,300
Economic Development Loans		2,000	2,000		200	200
Water Stewardship Fund - Septic Repairs					100	100
Alternative Water Supply					6,000	5,600
Pension and Medical Funds		-	-		-	-
Total Designated Funds	5,000	39,000	39,000	1,000	7,600	7,200
Working Cash	36,000	49,900	52,400	3,400	8,400	12,100
Total Working Cash and Unrestricted Funds	\$ 83,720	\$ 135,000	\$ 137,200	\$ 12,700	\$ 26,100	\$ 27,600
Legally Restricted						
Bond Funds - Capital		\$ 31,800	\$ 16,800		\$ 4,100	\$ -
Harvest Wind Reserve		2,000	2,000			
System Development Charge Reserves		-	-		6,000	5,500
Reserves for Debt Service		6,500	6,500		2,300	2,300
Customer Care/Customer Deposit		900	900			
Total Restricted Funds		\$ 41,200	\$ 26,200		\$ 12,400	\$ 7,800

* 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, 2018

² 2018 changes to unrestricted reserves are included in working cash. The Board will officially transfer funds in the second quarter of 2019.

³ 12/31/18 projection includes funds for approved capital projects that will be continued in 2019.

⁴ Designated funds are used for one-time expenses.



Attachment 5

Budgeted Financial Ratios and Statistics

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

December 31, 2019

	Electric Utility	Water Utility
Financial Ratios		
Debt Service Coverage Ratio ¹	2.17	3.77
Days Cash ²	255	610
Operating Ratio ³	0.84	0.56
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 2019, 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

Rely on us.

