MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

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

FROM: Cathy Bloom, Finance Manager; Sue Fahey, Fiscal Services Supervisor; Harvey Hall, Deborah Hart and Edward Yan, Senior Financial Analysts

DATE: November 24, 2014

SUBJECT: 2015 Proposed Budgets, Revenue Requirements, and Rates

OBJECTIVE: Approval of 2015 Budgets and Rates Proposals

Issue

At the November 4, 2014 Board meeting, management presented proposals for the Electric and Water Utilities' 2015 budgets and February 2015 rate changes. Additionally, the first public hearing on those proposals was held. By statute, the Board is required to approve the Utility budgets prior to January 1st.

Background

Budget

Included as Attachment 1 is the November 4th Board backgrounder which provides detailed information on the 2015 budget development process.

Electric Rates

The revenue requirements in the proposed Electric budgets result in no change in overall rates for the Electric Utility. The Electric Rate Proposal does incorporate residential rate design changes to improve fixed cost recovery and to keep renewable energy and energy efficiency programs financially sustainable. The proposal increases the residential basic charge, reduces the delivery charge and eliminates the third consumption tier. Management's recommendation has not changed since the November 4th Board meeting and detailed information regarding the rate redesign is included in the February 2015 Electric Rate Proposal.

If approved by the EWEB Commissioners following the public hearing, revised electric rates for all customer classes would become effective with billings rendered on and after February 1, 2015.

Water Rates

Management's proposal for Water rates of a 4.9% overall average increase has not changed from the November proposal. At the November meeting, Commissioners requested additional information regarding alternative water source rate and finance options. That information was provided on November 12th and is included as Attachment 2.

Management is recommending using the gradualism ratemaking principle for setting 2015 water rates due to several factors. It is likely that 2015 actual financial results and therefore, the 2016 budget and COSA, will be impacted due to the implementation of a new centralized fixed asset

system, a new accounting reporting structure, and benefits being allocated based on actual wages, not a fixed percentage.

If approved by the EWEB Commissioners following the public hearing, revised water rates for all customer classes, except Water Districts, would become effective with billings rendered on and after February 1, 2015.

Recommendation Requested Board Action

After the public hearing on the 2015 budgets and rate proposals, management recommends approval of the 2015 Budgets, February 2015 Electric and Water Rate Proposals and the related Resolutions 1418-1420.

Attachments

Attachment 1 - November 4, 2014 Board Backgrounder
Attachment 2 - Alternative Water Source Rate and Finance Options

ATTACHMENT 1

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

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

FROM: Cathy Bloom, Finance Manager; Sue Fahey, Fiscal Services Supervisor; Harvey Hall, Deborah Hart and Edward Yan, Senior Financial Analysts

DATE: October 27, 2014

SUBJECT: 2015 Proposed Budgets, Revenue Requirements, and Rates

OBJECTIVE: Direction on 2015 Budget and Rates

Issue

November 4, 2014 is the first of two public hearings on the 2015 proposed Electric and Water Utility budgets and rate proposals which are scheduled for approval after the public hearing on December 2, 2014. Based on Board direction, final proposals will be prepared for the December 2nd meeting. The Board is required by statute to approve the Utility budgets prior to January 1st.

Background

Budget

In recent years both the Electric and Water Utilities have experienced financial challenges, albeit very different ones. Water consumption did not rebound as quickly as anticipated after the recession which has resulted in lower than projected revenues to support the high fixed cost nature of the business. Water Utility reserve levels and working cash were extremely low which was compounded by aging infrastructure replacement needs.

While Electric loads remained comparatively stable, power sales revenue used to support operations have declined over $60 million since 2008 due to the decline wholesale prices and less power available from Bonneville Power Administration. Accordingly, the Electric Utility struggled to balance budgets and meet Board targets for debt service coverage. In addition to significant budget reductions over the last three years, the Board approved financial policies that align with an "A" bond rating for the Electric Utility versus the prior ones that aligned with a "AA" bond rating. Shortly after that, the Electric Utility's bond rating was downgraded to "A" by rating agencies.

At the October 7th Board meeting, staff presented draft budgets that included several expense and revenue assumptions. Staff also presented the revenue requirements associated with those assumptions and the resulting overall average rate change. Two rate options were presented for the Electric Utility; a 1% overall average or no rate change. With the no rate change option, the Electric long-term financial plan projected deferring the 1% change to 2017 and a $2 million deficit that year to meet debt service coverage metrics which was $300,000 higher than the 2015 1% option. The Water Utility revenue requirement resulted in an overall average rate change of 4.9%.

At the same meeting, management recommended Electric residential rate design changes that included increasing the basic charge, lowering the delivery charge, and eliminating the third consumption tier. Management also recommended that the additional Water Utility revenue requirements be collected by increasing monthly charges only. The goals of these rate design changes are to improve fixed cost recovery and keep conservation programs financially sustainable. These changes have been incorporated into the 2015 proposed budgets.

The Board directed staff to propose 2015 budgets that included no rate change for the Electric Utility, an overall average rate increase of 4.9% for the Water Utility, and the key assumptions below.

Both Utilities

- 2.5% non-labor CPI increase as per the US Bureau Labor and Statistics, Portland/Salem 10 year average
- Labor/Benefits increases:
    - 2.4% wage escalation based on an average of the Portland/Salem CPI for All Urban Consumers (CPI-U) and Wages (CPI-W)
    - Health insurance increase – 15%
- Priority Based Budgeting Operations & Maintenance (O&M) Net Change – Electric: $1.5 million increase, Water: $400,000 increase
    - Material items include:
        - Information technology major project assistance - $800,000
        - Harvest Wind warranty extension - $300,000
        - Utility costs - $200,000
        - Regulatory Increases (NERC/Oregon Department of Energy) - $125,000
        - System upgrades (Interagency radio system/Customer texting services for outage management) - $150,000
        - Water System Planning and Modeling - $100,000

    - 1 FTE increase, net

- Reduction in capital expenses from "business as usual"

Electric

- Retail load approximately the same as 2014 budget – 2.5 million MWh
- 90% generation
- $33/MWh melded mid-market price curve
- Contingency increase to 1% of O&M budget - $1 million

Water

- Consumption: 7.6 million kgals; 200,000 kgals higher than 2014 due to unrealized sensitivity to prior rate changes

Electric Rate Proposal

The 2015 Electric Rate Proposal represents no change to the overall revenue requirements. As previously noted, the proposal does incorporate residential rate design changes to improve fixed cost recovery and to keep renewable energy and energy efficiency programs financially sustainable. The proposal increases the residential basic charge, reduces the delivery charge and eliminates the third consumption tier. Attachment 1 provides the summary of residential current and proposed rates.

Water Rate Proposal

As mentioned previously, the Board directed staff to prepare the 2015 Water Utility budgets with a 4.9% overall average increase. Major factors contributing to the increase are the assumptions noted above and allocating benefits based on wages, not a fixed percentage. In 2013 the Board approved implementing a rate smoothing strategy for the Water Utility in part based on the decision to avoid significant rate increases during major construction years on an alternative water supply (AWS). Eugene is the largest city in Oregon without a diverse water supply which poses a substantial risk to ensuring EWEB customers continue to receive safe, reliable, high quality water. At the December 2013 Board meeting a 3 percentage point rate increase to be set aside for future AWS costs was approved. For 2015, that AWS rate is projected to add approximately $1 million to the AWS designated fund. In the Water Utility long-term financial plan, the accumulated designated funds will be used to reduce the amount of bonds issued to support AWS in 2019. After 2019, the revenues received from the 3 percentage points will be used to pay AWS related debt service costs.

The rate smoothing strategy results in a rate slightly higher than would be needed to fund the 2015 budgets. In the near term, the smoothing strategy supports an anticipated increase in the 2016 budget when approximately $600,000 of overhead allocated to the reimbursable Lane Transit District capital project shifts back to O&M.

Individual customer class rate adjustments vary from the 4.9% overall average based on the outcome of the cost of service study (COSA). The COSA allocates cost by various categories (e.g., production, transmission, distribution, customer service, etc.). Due to differences in customer class usage characteristics, the cost categories are not allocated equally, but equitably, based on the cost to serve each class. COSA developed rates address the revenue sufficiency and cost basis rate-making principles; however the principles of affordability, efficiency, equity and gradualism must also be considered when making final rate decisions.

Management is recommending using the gradualism ratemaking principle for setting 2015 water rates due to several factors. It is likely that 2015 actual financial results and therefore, the 2016 budget and COSA, will be impacted due to the implementation of a new centralized fixed asset system, a new accounting reporting structure, and benefits being allocated based on actual wages, not a fixed percentage. The combination of these factors provides enough future uncertainty that it is prudent for class rate changes to be closer to the overall average. Elevation charges currently only include pumping costs. Other charges, such as reservoir costs, could potentially be assigned to this group in the future resulting in much higher rate changes.

The following adjustments to each customer class are proposed:

Customer Class	**Rate Schedule**	**Change Proposed**
Residential – Inside/Outside City	R-1, R-2	5.2%
General Service – Inside/Outside City	G-1, G-2	3.0%
River Road and Santa Clara Water Districts	4	5.6%
Willamette Water Company	5	6.5%
Veneta	6	0.0%
Private Fire Lines		3.2%
Elevation Charges		36.8%
Overall Average Increase		**4.9%**

Attachment 2 contains the summary of current and proposed rates for residential and general service inside city customers.

Recommendation

Management recommends that the Board direct staff to prepare the 2015 budget using the assumptions set forth in this document, an Electric residential rate design with no overall rate change, and a 4.9% overall average February 2015 Water rate change.

Requested Board Action

Management is not requesting Board action at the November 4th meeting; however, staff is requesting that the Board provide clear direction on budget assumptions as well as the rates to support the revenue requirements included in the proposed budget. At the December 2, 2014 Board meeting after the public hearing, management will recommend approval of the 2015 Budget, February 2015 Electric Rate Proposal, February 2015 Water Rate Proposal.

Attachment 1– Electric Rate Comparison
Attachment 2 – Water Rate Comparison

Attachment 1

ELECTRIC RATE COMPARISON
Existing vs. Proposed Rates

RESIDENTIAL:	Existing Rates	Proposed Rates	Billing Unit
Basic Charge:	**$13.50**	**$20.00**	**per Month**
Delivery Charge:	**$0.03195**	**$0.02560**	**per kWh**
Energy Charge:			
SUMMER			
First 800 kWh	**$0.05796**	**$0.05803**	**per kWh**
Next 900 kWh	**$0.07132**	**$0.07254**	**per kWh**
Over 1,700 kWh	**$0.08423**	**$0.07254**	**per kWh**
WINTER			
First 800 kWh	**$0.05796**	**$0.05803**	**per kWh**
Next 2,200 kWh	**$0.07132**	**$0.07254**	**per kWh**
Over 3,000 kWh	**$0.08423**	**$0.07254**	**per kWh**

Attachment 2

Existing vs. Proposed Rates

Water Rates Comparison

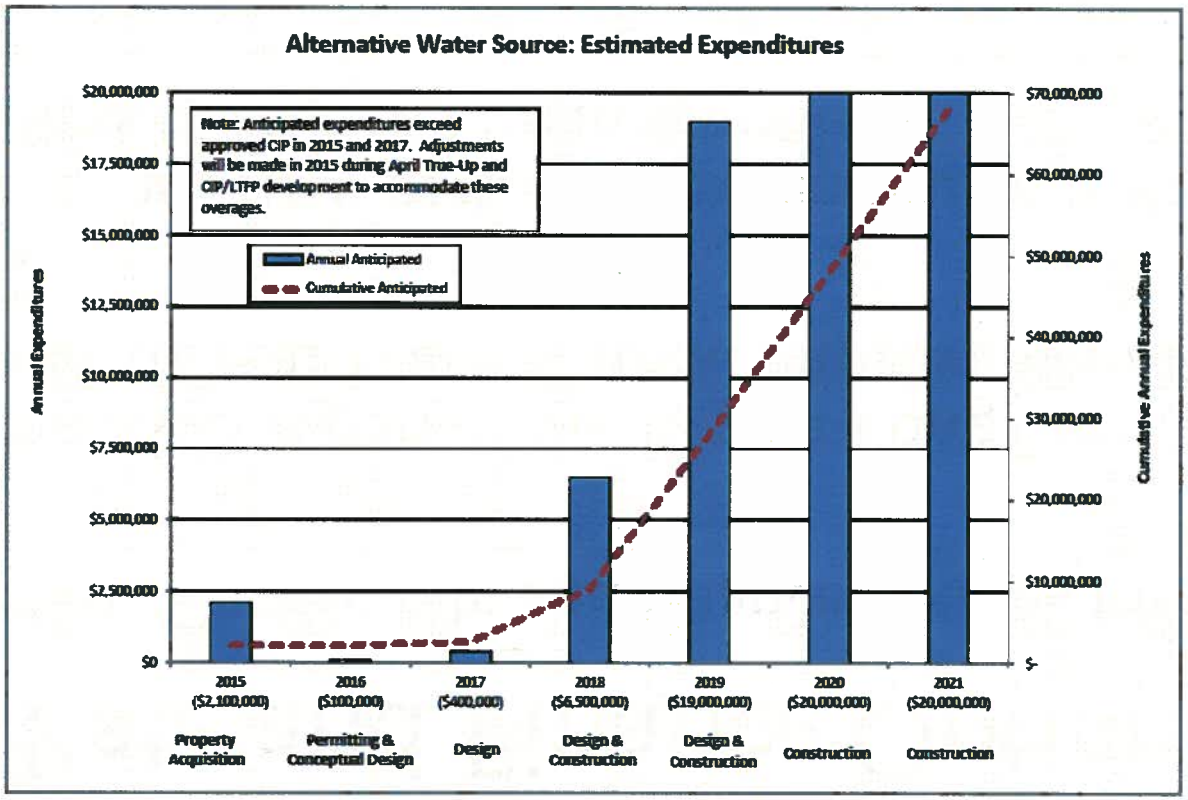
	Existing Rates		Proposed Rates	
Residential Customers				
Basic Charge				
5/8"	$17.49	/month	$19.20	/month
3/4"	$18.20		$19.98	
1"	$23.61		$25.92	
1-1/2"	$36.12		$39.66	
2"	$64.72		$71.06	
Volume Charge				
First 8,000 gallons	$1.60	/Kgal	$1.60	/Kgal
Next 22,000 gallons	$2.70		$2.70	
Over 30,000 gallons	$4.38		$4.38	
General Service Customers				
Basic Charge				
5/8"	$17.49	/month	$19.49	/month
3/4"	$18.20		$20.28	
1"	$23.61		$26.31	
1 - 1/2"	$36.12		$40.24	
2"	$64.72		$72.11	
3"	$145.80		$162.45	
4"	$248.94		$277.37	
6"	$373.54		$416.20	
8"	$540.71		$602.46	
10"	$763.68		$850.89	
Volume Charge				
All KGAL (1,000 gallons)	$2.75	/Kgal	$2.75	/Kgal

ATTACHMENT 2

Alternative Water Source Rate and Finance Options

- Objective: Choose rate and finance options for AWS
- Assume AWS is part of the 10 year Long Term Financial Plan and 10 Year Water Capital Improvement Plan
- Assume cash flow pattern of expenditures is the same regardless of rate and finance options
- Note: The AWS special reserve (3% rate action in early 2014 generates about $1M/year and is assumed to accumulate in the AWS special reserve account and be used in 2019 as an offset to the bond issuance

Estimated AWS Expenditures Expected Cash Flow

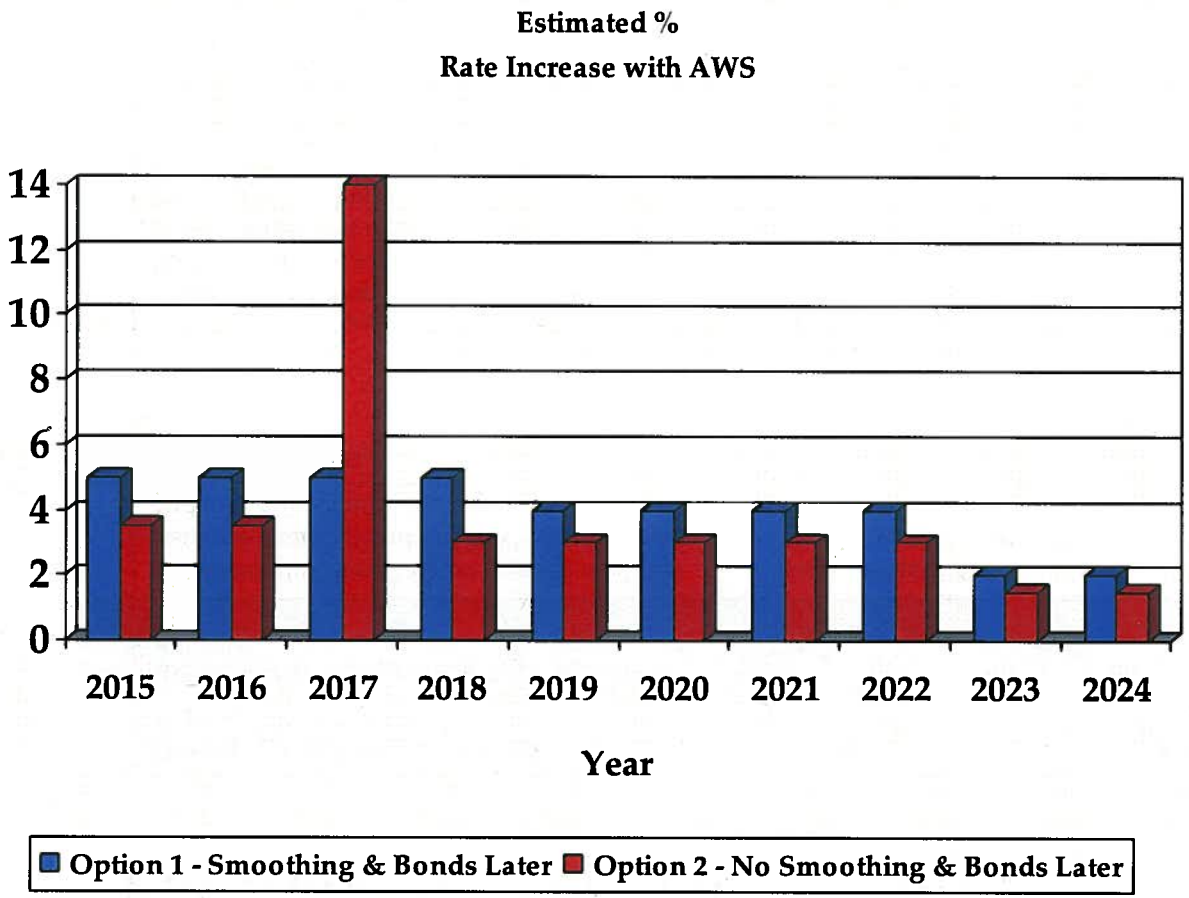


Rates and Bond Issuance Timing

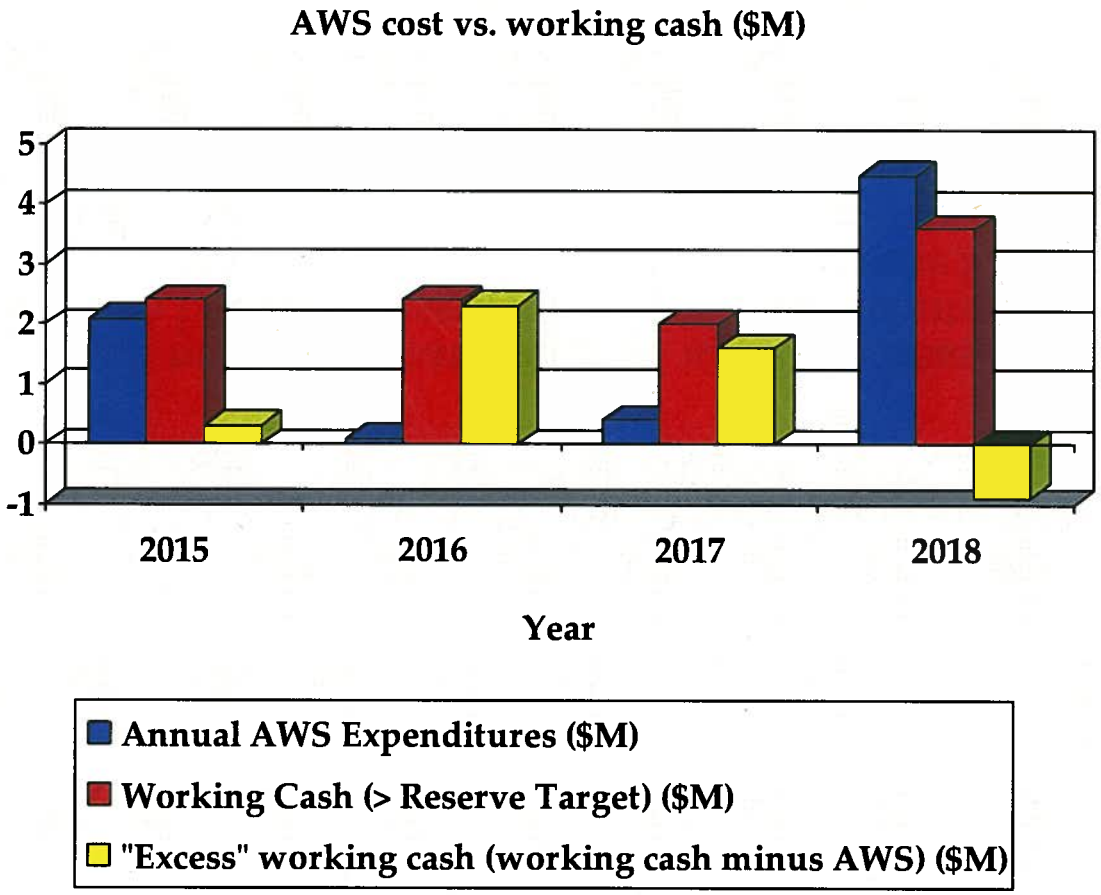
Options and Description

	Option 1: Issue Bonds Later and Smooth Rate Actions over LTFP Horizon ***(Recommended in current LTFP and Rate Actions)***	**Option 2: Issue Bonds Later and Do Not Smooth Rate Actions.**
Overall Rate Action Strategy	Avoid Single Large Rate Increase in the bond issuance year. Spread out AWS rate increases and build up small down payment	Keep normal rate increases as low as possible and go with large AWS increase in bond issuance year. No down payment.
Cash for Smaller & Earlier AWS Expenditures	Covered in part by smoothing strategy.	No cash available. Would have to either use reserves or issue bonds in smaller tranches.
Cash for Larger & Later AWS Expenditures	Covered in part by smoothing strategy that builds up down payment, but most large expenditures and covered by bonds issued right before the "big build" Bond issuance is less than total AWS cost due to down payment.	Covered by bond issuance.
Pros	Lowest total interest cost Use "working cash" for smaller AWS costs (avoid bonds now) Extra working case goes toward "down payment" No rate shock	Easiest to explain in terms of timing Possible "special" rate action tied solely to AWS
Cons	Some may disagree with down payment concept. AWS costs appear "lost" in regular rate increases	Rate shock in bond issuance year Highest total interest cost Could require multiple bond issuances if reserves are not adequate to cover early AWS expenditures

LTFP Projected Rate Increases with AWS



Estimated AWS Expenditures vs. "working cash" generated by rate smoothing strategy



Why Option 1?

(Rate Smoothing with Bonds Later)

- Avoids single year rate shock of option 2
- Generates enough "working cash" to pay for early AWS expenditures (e.g. land, planning, permits) without having to issue bonds now or restores reserves to appropriate levels if reserves are used early
- Generates enough revenue in rates in 2018 to pay increased debt service costs in 2018 when bonds are issued for AWS and maintains metric for debt service coverage. (note: debt service costs will increase $5 million to about $9 million after AWS)
- AWS expenditures are still tracked in budget and WAM system (quarterly or semi-annual report to track/monitor progress)
- No additional "special reserve" account is necessary. Track/monitor/report AWS-related expenditures in WAM and report to Board

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

February 2015 Electric Rate Proposal

Fiscal Services Department
December 2014

EUGENE WATER & ELECTRIC BOARD
FEBRUARY 2015 ELECTRIC RATE PROPOSAL

TABLE OF CONTENTS

CHANGES FROM NOVEMBER 2014 PROPOSAL

Addition of Executive Summary below.

EXECUTIVE SUMMARY

The Board approved the rate design proposal for R-6 Residential customers that continues to move fixed costs into the Basic Charge (from $13.50/mo to $20.00/mo), reduces the delivery charge and eliminates the top energy charge tier. There are no proposed revenue requirement changes or any rate design changes to the other classes.

If approved by the EWEB Commissioners following scheduled public hearings, revised electric rates for the residential customer class would become effective with billings rendered on and after February 1, 2015.

I. INTRODUCTION

Purpose of Study

The purpose of this rate study is to provide background information and technical analyses in support of Eugene Water & Electric Board (EWEB) staff recommendations for revised electric rates. The study includes documentation of electric system revenue requirements, projected system loads and sales, and allocation of ongoing utility costs to individual customer classes for the 12-month period beginning January 2015. The most recent electric rate revision was February 2014, amounting to a 4.0 percent overall average revenue requirement increase.

No increase in the electric revenue requirement is recommended for the proposed 2015 budget.

Establishment of Rates

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

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

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

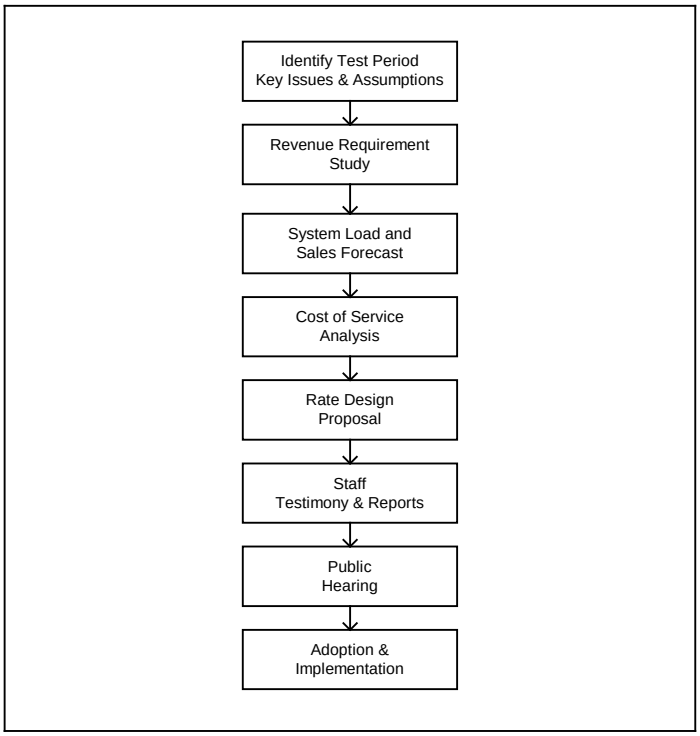
The second standard requires that rates and charges for utility service be fair and nondiscriminatory. Rates are considered nondiscriminatory when customers receiving like and contemporaneous service under similar circumstances are treated equally in the development and application of specific rates. 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 established Board policies concerning cost allocation and rate design, allow EWEB to maintain rates at the lowest possible level consistent with sound financial principles and traditional utility rate making practices. They also give EWEB's elected Board of Commissioners complete authority to approve rates which are cost-based, nondiscriminatory and in concert with the needs of EWEB customers.

Rate Review Process

EWEB's electric rates 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 rate adjustment, EWEB staff is directed to prepare studies which determine appropriate rate levels for each customer class. This formal review process involves several steps, all of which are coordinated with the EWEB Commissioners, General Manager, and management of the utility's operating departments. The process also affords an opportunity for review and comment by EWEB customers and other interested parties (see *Figure 1*).

Figure 1
Rate Review Process



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

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

Once EWEB's projected operating costs, revenue requirements and sales forecasts have been determined, the Fiscal Services Department staff typically performs a detailed Cost of Service Analysis. The purpose of this study is to allocate test period costs to each of EWEB's customer classes and rate schedules in accordance with the manner in which individual cost items are incurred. EWEB's cost-of-service procedures employ standard utility industry costing methods, consistent with the policy guidelines established by the Board.

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

Since revenue requirements did not change from 2014, staff did not prepare a COSA for the 2015 rate proposal.

Public Notice and Hearings Schedule

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

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

Publication Name	Date
The Register-Guard	September 29, 2014

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

Customers are invited to comment on EWEB's budget and rate assumptions throughout the budget development process. There are two scheduled public hearings specifically for rate proposals. The hearings will be held during the EWEB Board meetings on Tuesday, November 4th, beginning at 5:30 p.m. and Tuesday, December 2nd, beginning at 5:30 p.m. at the EWEB Headquarters, 500 East Fourth Ave., in Eugene.

Written comments are also welcome, and may be sent to the attention of EWEB's Fiscal Services Department, PO Box 10148, Eugene, OR 97440. E-mail comments may be directed to budget@eweb.org. For timely consideration at the December Board meeting, comments must be received prior to December 2, 2014.

EXHIBIT 1

BEFORE THE EUGENE WATER & ELECTRIC BOARD

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

NOTICE OF PUBLIC HEARINGS AND INVITATION TO COMMENT

1. Two dates are scheduled for public hearings to seek public comment regarding proposed 2015 budget approval and adjustments to EWEB water and electric rates. If approved, the proposed changes for residential, general service and other customers of the Eugene Water & Electric Board would become effective with utility billings rendered on or after February 1, 2015.

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

   November 4, 2014 - 5:30 p.m.
   December 2, 2014 - 5:30 p.m.

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

3. Specific rate recommendations for each customer class may be obtained beginning October 29, 2014, or by calling EWEB's Fiscal Services Department at (541) 685-7688 or emailing budget@eweb.org Copies of the budget document and rate proposals will be made available at the public hearing.

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. For timely consideration, written comments must be received prior to the public hearing on December 2, 2014.

   E-mail comments may be directed to: susan.fahey@eweb.org

II. BACKGROUND INFORMATION

A. Organizational Structure

The Eugene Water & Electric Board is responsible for providing electric and water service within the City of Eugene and certain outlying areas. The specific duties delegated to the Board pursuant to the Eugene City Charter are carried out by five elected Commissioners who serve without pay. The Commissioners and expiration dates of their respective terms of office are as follows:

	Area	Term Expires December 31,
John Brown, President	Wards 4, 5	2014*
Steve Mital, Vice President	Wards 1, 8	2016
Richard Helgeson	Wards 2, 3	2016
James Manning	Wards 6, 7	2016
John Simpson	At Large	2014*

Re-elected to additional three year term in November 2014

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. A second meeting is occasionally held on the third Tuesday of the month. All meetings are open to the public and provide opportunities for public participation.

Under the direction of General Manager Roger Gray and the leadership staff, EWEB employed 519 combined electric and water personnel as of third quarter 2014. EWEB's organization chart is shown as *Figure 2*. The executive and leadership staff, responsible for each of the major operating areas, is as follows:

Executive	Department
Roger Gray	General Manager

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

The utility's business priorities are reviewed annually by the Board, General Manager and a planning group made up of the leadership staff and other key personnel. Major organizational goals, strategic issues, opportunities, and planning contingencies for the coming year are then documented in the annual EWEB Strategic Plan. Each work unit derives from the Strategic Plan annual performance targets to address management priorities through ongoing work plans and schedules. The General Manager meets regularly with the Leadership Team members who hold meetings with their department staff to maintain employee productivity and efficient operations.

Figure2

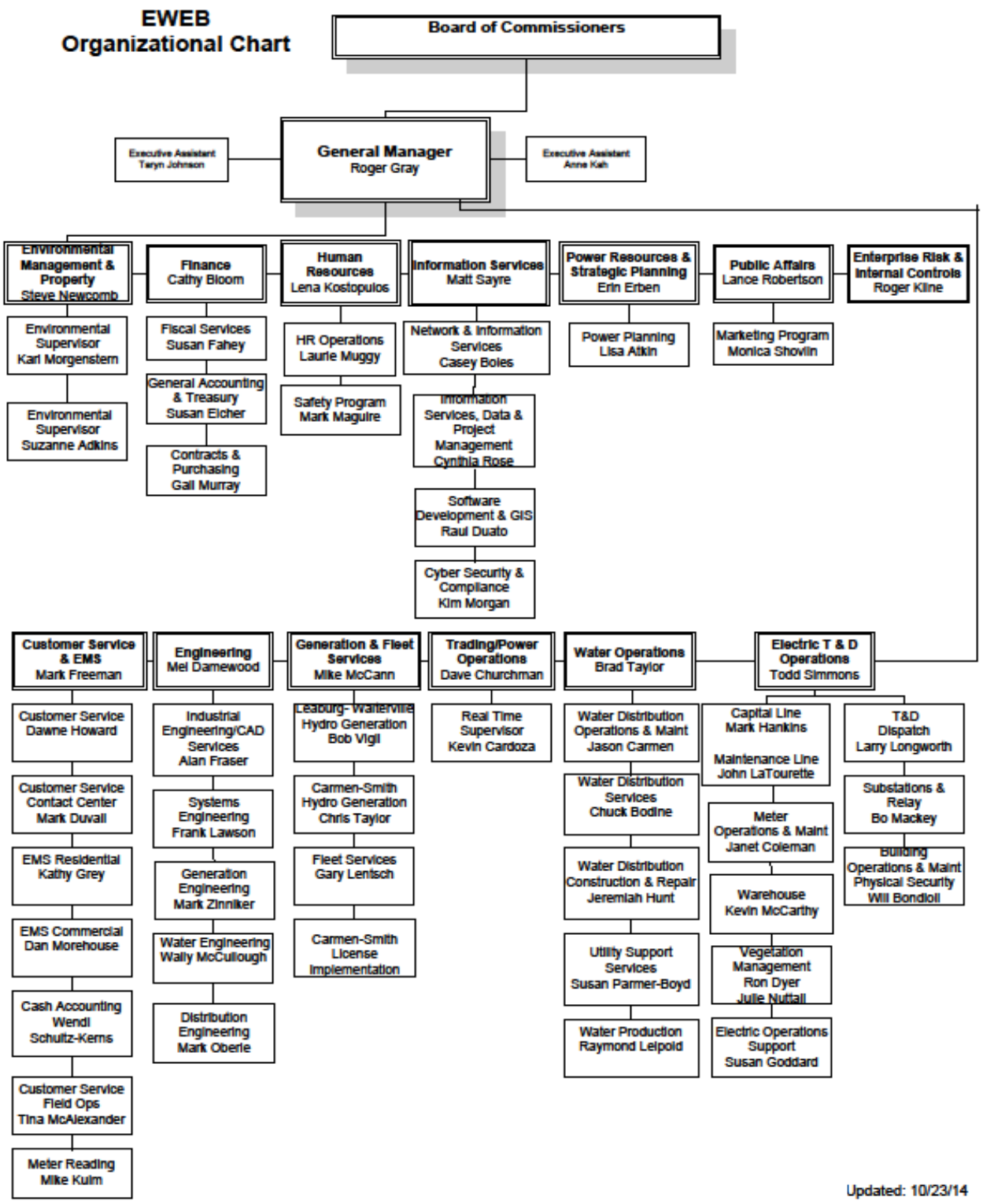

EWEB
Organizational Chart
Board of Commissioners
General Manager
Roger Gray
Executive Assistant
Taryn Johnson
Executive Assistant
Anne Kah
Environmental Management & Property
Steve Newcomb
Environmental Supervisor
Karl Morgenstern
Environmental Supervisor
Suzanne Adkins
Finance
Cathy Bloom
Fiscal Services
Susan Fahey
General Accounting & Treasury
Susan Eicher
Contracts & Purchasing
Gail Murray
Human Resources
Lena Kostopulos
HR Operations
Laurie Muggy
Safety Program
Mark Maguire
Information Services
Matt Sayre
Network & Information Services
Casey Boles
Information Services, Data & Project Management
Cynthia Rose
Software Development & GIS
Raul Duato
Cyber Security & Compliance
Kim Morgan
Power Resources & Strategic Planning
Erin Erben
Power Planning
Lisa Atkin
Public Affairs
Lance Robertson
Marketing Program
Monica Shovlin
Enterprise Risk & Internal Controls
Roger Kline
Customer Service & EMS
Mark Freeman
Customer Service
Dawne Howard
Customer Service Contact Center
Mark Duvall
EMS Residential
Kathy Grey
EMS Commercial
Dan Morehouse
Cash Accounting
Wendi Schultz-Kerns
Customer Service Field Ops
Tina McAlexander
Meter Reading
Mike Kuim
Engineering
Mel Damewood
Industrial Engineering/CAD Services
Alan Fraser
Systems Engineering
Frank Lawson
Generation Engineering
Mark Zinniker
Water Engineering
Wally McCullough
Distribution Engineering
Mark Oberle
Generation & Fleet Services
Mike McCann
Leaburg- Walterville Hydro Generation
Bob Vigil
Carmen-Smith Hydro Generation
Chris Taylor
Fleet Services
Gary Lentsch
Carmen-Smith License Implementation
Trading/Power Operations
Dave Churchman
Real Time Supervisor
Kevin Cardoza
Water Operations
Brad Taylor
Water Distribution Operations & Maint
Jason Carmen
Water Distribution Services
Chuck Bodine
Water Distribution Construction & Repair
Jeremiah Hunt
Utility Support Services
Susan Parmer-Boyd
Water Production
Raymond Leipold
Electric T & D Operations
Todd Simmons
Capital Line
Mark Hankins
Maintenance Line
John LaTourette
Meter Operations & Maint
Janet Coleman
Warehouse
Kevin McCarthy
Vegetation Management
Ron Dyer
Julie Nuttall
Electric Operations Support
Susan Goddard
T&D Dispatch
Larry Longworth
Substations & Relay
Bo Mackey
Building Operations & Maint
Physical Security
Will Bondioli
Updated: 10/23/14

Table 1 below shows the percentage change in EWEB employees, customers and electric sales over the past ten years. The effects of the recent economic recession which constrained customer growth are starting to subside, however the trend of flat consumption continues with low growth offset by conservation efforts. With priority-based budgeting work, approximately 70 positions were reduced in 2012-2014.

Table 1
Employee, Customer & Megawatt-Hour Sales Statistics
For the Period 2004-2013

Year	Total Employees	% Change	Customer Count	% Change	MWh Sales	% Change
2004	465	4.0%	83,100	1.0%	2,634,133	3.6%
2005	487	4.7%	84,100	1.2%	2,663,174	1.1%
2006	489	0.4%	85,400	1.5%	2,689,923	1.0%
2007	495	1.2%	86,600	1.4%	2,728,685	1.4%
2008	510	3.0%	86,700	0.1%	2,625,659	-3.8%
2009	538	5.5%	86,900	0.2%	2,406,878	-8.3%
2010	558	3.7%	87,200	0.3%	2,399,801	-0.3%
2011	562	0.7%	87,700	0.6%	2,414,476	0.6%
2012	532	-5.3%	89,300	1.8%	2,375,070	-1.6%
2013	515	-3.2%	90,100	0.9%	2,408,395	1.4%

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

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

Feedback was invited in the recently completed Customer Survey Report where over 1,300 EWEB customers ranked the level of importance and performance satisfaction to core functions of the utility including the value of public power. The survey included questions designed to specifically determine customer spending priorities. Customer respondents had the highest satisfaction with drinking water quality, water and electric service reliability, and the value of having public power over an investor owned utility. These and other survey results reaffirm the longstanding commitment EWEB has to deliver value to the citizens of the Eugene.

B. Electric System Highlights

EWEB is the largest publicly owned utility in the state of Oregon, the principal generating public utility in Oregon, and the sixth largest public agency customer of the Bonneville Power Administration. Founded by the citizens of Eugene in 1911, EWEB has remained a successful provider of essential utility services to the local community for over 100 years.

The 238-square-mile area now served by EWEB includes most of the City of Eugene and adjacent areas, including locations near municipally owned power projects at Walterville and Leaburg. EWEB's service area adjoins the City of Springfield municipal electric system on the east, the Emerald People's Utility District on the north, the Blachly-Lane Electric Cooperative on the west, and the Lane Electric Cooperative system on the south.

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

EWEB's local electric system consists principally of six hydroelectric projects, an industrial cogeneration facility, and the necessary transmission and distribution facilities for provision of service to the end use consumers. EWEB currently maintains 36 substations which are networked together through 126 circuit miles of transmission lines and 1,115 circuit miles of primary distribution lines. EWEB also owns, operates and maintains remote generating facilities which include two hydroelectric projects interconnected to the interstate transmission grid through 37 miles of 115 kV transmission line and an industrial cogeneration and wind generation facility. The book value of the EWEB electric utility plant-in-service is approximately $707 million.

As Oregon's largest generating public utility, generating facilities have a combined nameplate rating of 263 megawatts (including the hydroelectric plants at Carmen-Smith, Leaburg, Walterville, Stone Creek, Smith Falls, a cogeneration facility at International Paper, and wind power generators at Foote Creek Rim, and other local projects), which is used to service annual retail and wholesale loads. Another source of supply is purchased through contracts with various generating public and private utilities and energy suppliers. The remaining portion of EWEB's firm power portfolio is obtained through long-term contracts with the Bonneville Power Administration, a federal power marketing agency.

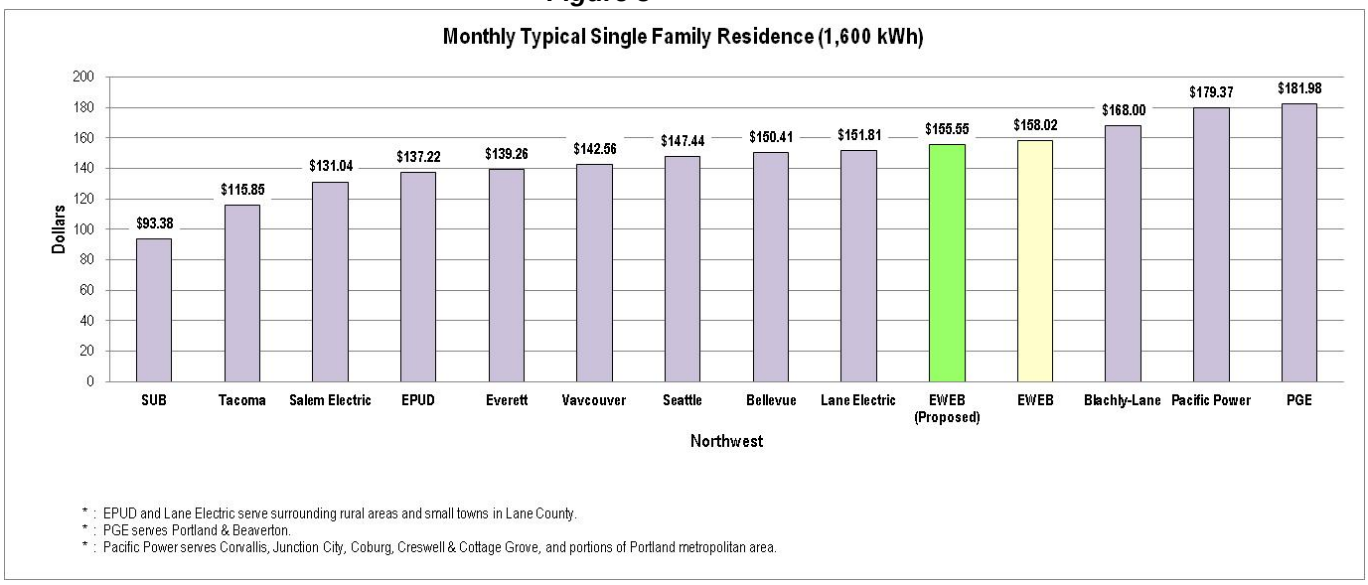
Although EWEB's power supply costs have historically ranked fairly low nationally, recent proposed increases in BPA wholesale power rates and concern about future BPA rate stability have emphasized the need for continued resource planning. EWEB's Integrated Electric Resource Plan approved by the Board in 2012 relies on energy efficiency and demand response programs to meet future load growth.

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

C. Residential Bill Comparisons

A comparison of current and proposed monthly residential bills for selected Northwest communities is shown in *Figure 3*. Sample bills are calculated using EWEB's average monthly single family residence consumption of 1,600 kilowatt-hours. A bill of $158.02 for EWEB in the figure is calculated using the existing residential rate. Sample bills for the residential rate proposal are shown in *Table 8*. NOTE: The bill comparisons do not include Contributions in Lieu of Taxes or other taxes for all comparators.

Figure 3



The resulting average electric bill from this proposal amounts to $155.55 for monthly usage of 1,600 kilowatt-hours.

III. REVENUE REQUIREMENTS STUDY

This section contains a general description of EWEB's annual budgeting process. It also includes documentation of EWEB's 2015 proposed budget for operating and capital expenses and revenue requirements which has been designated as the test period for the current rate proposal. In addition to determining the overall revenue requirement needed to sustain operation of the electric utility, test period revenue requirements are a primary input to the Cost of Service Analysis.

A. Preparation of Annual Budgets

At the beginning of each annual budget cycle, the utility's strategic priorities are identified by the Board, General Manager and a planning group made up of the leadership team and other key personnel. Major organizational goals, strategic issues, opportunities and planning contingencies are then documented in the EWEB Strategic Plan. The Strategic Plan drives specific performance targets to address management priorities through ongoing work assignments and schedules.

Starting in 2012, EWEB management and staff utilized a different approach beginning with scenario based budgeting and moving to a priority based budgeting (PBB) approach for subsequent budget development. Given the financial challenges facing both the Electric and Water Utilities, this approach has served EWEB well in its effort to align budgets with EWEB's mission and strategic plan.

While Electric loads have remained comparatively stable, power sales budgets, that had been used to support operations, have declined about $60M in the last seven years. The two drivers are plummeting wholesale prices and a reduction in resources available from the Bonneville Power Administration. Accordingly, the Electric Utility has struggled to balance budgets and meet Board targets for debt service coverage.

In developing the 2013 and 2014 budgets, EWEB reduced over 70 positions and $7.7 million O&M dollars to increase the financial stability of both Utilities. In addition, capital budgets were reduced or deferred by $60 million and $20 million in 2013 and 2014, respectively. In June 2013, faced with the potential of over an additional $20 million in 2014 O&M budget reductions to meet Board financial targets, the Board approved financial policies that align with an "A" bond rating for the Electric Utility versus the prior ones that aligned with an "AA" bond rating. Shortly after that, the Electric Utility's bond rating was downgraded to "A" by rating agencies.

All levels of the EWEB organization are involved in preparation of the annual Electric Utility Budget in order to place responsibility for cost control on the managers who project and incur the costs.

After anticipated expenditures have been submitted and reviewed, the results are compiled and compared with historical costs and anticipated revenues for the budget period. When a budget deficit is apparent, efforts are made to reduce operating and capital expenses. If a budget deficit cannot be corrected through cost reductions or deferrals, the amount of the deficit becomes an additional revenue requirement recommended for recovery through an electric rate adjustment.

A draft budget with explanations on variances from prior years is then discussed with the EWEB Commissioners. The Board reviews the draft budget in detail and may suggest program adjustments and revisions. Public hearings are held to ensure customers have the opportunity to provide feedback. The Board approves a final budget in December which then becomes the operating plan for the next budget year.

All program managers are required to expend funds in a manner consistent with approved budget estimates. As individual projects are authorized, year-to-date balances are compared to projected budgets to ensure that costs continue to track as expected. 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 original budgets, with differences noted for potential input to the next year's budget cycle.

B. Test Period Revenue Requirements

EWEB has designated calendar year 2015 as the "test period" for development of electric system costs and revenues in this current rate proposal. This corresponds with the expenditures included in the 2015 Proposed Electric Budget.

For the February 2015 rate study, staff was able to incorporate the projected sales, revenues and expenditure data from the proposed 2015 budget directly as a basis for this revenue requirement proposal.

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

IV. SYSTEM LOAD AND SALES FORECAST

A. Overview of the Forecasting Process

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

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

EWEB's annual electric load forecast was adopted directly as the basis for estimating total system sales for the current rate study. Specifically, the twelve-month period from January through December 2015 was selected for analysis, corresponding with the test period budget and revenue requirements documented in Section III - Revenue Requirements Study. The remainder of this section describes how the system load and sales forecasts are applied to the development of retail rates, and the results obtained for 2015 test period.

B. Methodology and Procedures

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

The projection of monthly customer sales relies on historical data collected by EWEB's Fiscal Services Department from a number of internal sources. Monthly historical sales statistics are obtained from EWEB financial statements and accounting records. In addition, the Fiscal Services Department maintains a detailed record of customer billing statistics for each rate classification. Other local agencies are consulted as necessary for additional data pertinent to the forecasting of utility sales. Customer-specific data is also sought for major commercial/industrial

users, since the short-run requirements of these customers are often related to particular business cycles rather than long-term trends.

Once the basic forecasting data is assembled, it is reviewed for consistency with recent historical trends, budget assumptions, and conditions expected to prevail over the rate test period. Such review ensures that the sales forecast used in the rate design process remains consistent with projections used to prepare purchased power budgets and the EWEB revenue requirements discussed in Section III. Minor adjustments were made to compensate for differences between calendar months and billing cycles during the rate period. Adjustments were also made to account for the system energy losses attributable to each customer class.

The next step in the forecasting process is to divide the total system forecast into component parts by month and rate class grouping. Customer sales statistics for the past three to ten years were used to calculate current class contribution to annual system sales and typical monthly distribution of consumption for each class.

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

C. 2015 Forecast Results

1. The results of EWEB's forecast of sales for the 2015 rate test period are summarized briefly below:

Table 2
Test Period Forecast of Electric Utility
Customers & Sales by Rate Class
For 2015 Rate Test Period

Customer Class	Customer Counts	Energy Sales in MWH	% of Sales
Residential	81,485	978,055	40.6%
Small General Service	7,626	161,495	6.7%
Medium General Service	1,755	492,254	20.4%
Large General Service	52	216,060	9.0%
Very Large General Service	1	8,179	0.3%
Contract A	1	415,429	17.2%
Contract C	1	66,652	2.8%
Contract D	1	63,000	2.6%
Street Lighting	N/A	8,479	0.4%
Private Lighting	N/A	890	0.0%
Total	**90,922**	**2,410,493**	**100.0%**

NOTE: Energy Sales does not include line loss.

The above information represents a small increase in EWEB customers by the end of 2015, which is compatible with trends over the past several years, vacancy rates and projected new service connections. The percentage of total EWEB sales represented by each customer class has remained stable for many years. Total electric sales for the period are forecast at 2.4 billion kilowatt-hours which is comparable to 2014.

The 2015 Load and Sales Forecast are used as a basis for cost allocation, rate design and revenue projections at current and proposed rates.

V. COST OF SERVICE ANALYSIS

Given the sufficiency of forecasted revenue to meet our revenue requirement, a Cost of Service study was not performed for 2015.

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

A. Cost of Service Methods and Procedures

In April of 1980 in concert with PURPA provisions, the Board also adopted the cost-of-service standard as the primary mechanism for rate development.
EWEB's Cost of Service methodology uses standard electric utility costing procedures to allocate the test period revenue requirements to each customer class. The allocated costs reflect the contribution of each rate class to total system costs during the period for which rates are being developed. Study results also measure the equitability of rates charged to individual customer classes by testing the adequacy of revenues received relative to allocated costs of service.

Through this process, the Cost of Service study apportions the test period revenue difference as a basis for determining appropriate rate levels and percentage adjustments for each customer class. The study also derives unit costs used to assist in development of the actual energy, demand and basic charge components recommended for each electric rate schedule.

EWEB's Cost of Service study begins with a detailed assessment of utility proposed operating budget and revenue requirements for the upcoming rate period. The analysis relies on anticipated electric system expenditures, retail sales and projected revenues contained in the Proposed Electric Utility Budget.

Once the total utility revenue requirement has been determined, individual line item costs are grouped according to major utility functions, such as power production, transmission, distribution, or customer accounting. Each line item expense is then classified as varying with contribution to monthly system peak demands, total energy consumption or number of customers for each rate class. Specific items are also identified for direct assignment when they are clearly associated with service to particular rate classes.

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

After classification and sub-classification, each cost category is distributed to one or more rate classes through a detailed allocation procedure. Several related analyses are conducted to develop the many allocation factors applied in this step. For example, calculating the class contribution to monthly system peaks and seasonal energy requirements involves a full

examination of all customer loads during the test period. Accordingly, the allocation step relies on the sales projections and available load research data described in Section IV, System Load and Sales Forecast.

When all of the allocation factors have been developed, they are then applied to yield a segregation of total system costs assigned to the different rate classes. The final step is to combine the calculations in a summary table showing total allocated costs and recommended percentage adjustments for each customer class. These results can then be represented as unit costs, which form the basis for actual rate design.

VI. RATE RECOMMENDATIONS

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

Table 3

Forecast of Electric Utility
Customers & Sales by Rate Class
For 2015 Rate Test Period

Customer Class	Rate Schedule(s)	Revenue Requirement
Residential	R-6	$108,033,040
Small General Service	G-1	$18,265,576
Medium General Service	G-2	$40,837,920
Large General Service	G-3	$16,041,730
Very Large General Service	G-4	$733,073
Contract A	N/A	$19,508,302
Contract C	N/A	$3,943,613
Contract D	N/A	$3,838,254
Street Lighting	J-3, J-4	$1,013,865
Private Lighting	L-3	$117,486
Overall Change	N/A	$212,332,859

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

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

A. Residential Service (Schedule R-6)

Residential customers are served under EWEB's Schedule R-6, which applies to single family and smaller multifamily dwellings. This rate schedule consists of a fixed monthly customer charge with a tiered energy rate applied to all monthly metered consumption. Currently, 81,100 residential customers are served under this schedule.

In this proposal, the basic charge would increase to $20.00 per month. The delivery rate would decrease approximately 19.9 percent. The charges for tier 1 and 2 energy rates would increase slightly for both Summer and Winter, and tier 3 would be eliminated. The Summer season consists of the months May through October, while the Winter season applies to the months November through April. The proposed rates are shown in *Table 4*.

Table 4
Residential Service
Existing vs. Proposed Rates

	Existing Rates	Proposed Rates	Percent Difference
Basic Charge:	**$13.50**	**$20.00**	**48.1%**
Delivery Charge:	**$0.03195**	**$0.02560**	**-19.9%**
Energy Charge:			
SUMMER			
First 800 kWh	**$0.05796**	**$0.05803**	**0.1%**
Next 900 kWh	**$0.07132**	**$0.07254**	**1.7%**
Over 1,700 kWh	**$0.08423**	**$0.07254**	**-13.9%**
WINTER			
First 800 kWh	**$0.05796**	**$0.05803**	**0.1%**
Next 2,200 kWh	**$0.07132**	**$0.07254**	**1.7%**
Over 3,000 kWh	**$0.08423**	**$0.07254**	**-13.9%**

With this tiered rate structure, the Summer and Winter periods for the first 800 kWh are priced the same. This amount of consumption approximates the basic household uses, excluding heating and air-conditioning loads. The second block price is designed to capture the remaining required revenue for this class of customers.

The overall average for the class reflects no rate increase. However, customer whose usage is higher than average will notice a small decrease to their bill while lower than average usage customers will have a small increase in their bill. The proposal is intended to strike a balance between EWEB's cost recovery objectives, maintenance of positive customer relations, compliance with the Board's rate stabilization policy, and a desire to encourage efficient use of electricity.

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

Table 5
Residential Service
Existing vs. Proposed Rates

	Current Rates				Proposed Rates					
	SUMMER		WINTER		SUMMER			WINTER		
Basic Charge		$13.50		$13.50		$20.00			$20.00	
Delivery Charge		0.0320		0.0320		0.0256			0.0256	
Energy Charge										
	First 800	0.05796	First 800	0.05796	First 800	0.05803		First 800	0.05803	
	Next 900	0.07132	Next 2,200	0.07132	Next 900	0.07254		Next 2,200	0.07254	
	Over 1,700	0.08423	Over 3,000	0.08423	Over 1,700	0.07254		Over 3,000	0.07254	
KWH USAGE		Current Bill		Current Bill	Proposed Bill	Dollar Difference	Percent Difference	Proposed Bill	Dollar Difference	Percent Difference
0		$ 13.50		$ 13.50	$ 20.00	$ 6.50	48%	$ 20.00	$ 6.50	48%
50		18.00		18.00	24.18	6.19	34%	24.18	6.19	34%
200		31.48		31.48	36.73	5.24	17%	36.73	5.24	17%
500		58.46		58.46	61.82	3.36	6%	61.82	3.36	6%
800		85.43		85.43	86.90	1.48	2%	86.90	1.48	2%
1000		106.08		106.08	106.53	0.45	0%	106.53	0.45	0%
1500		157.72		157.72	155.60	(2.11)	-1%	155.60	(2.11)	-1%
1600		168.04		168.04	165.42	(2.63)	-2%	165.42	(2.63)	-2%
2000		213.23		209.35	204.67	(8.55)	-4%	204.67	(4.68)	-2%
3000		329.41		312.62	302.81	(26.59)	-8%	302.81	(9.81)	-3%
4000		445.59		428.80	400.95	(44.63)	-10%	400.95	(27.85)	-6%
5000		561.77		544.98	499.09	(62.67)	-11%	499.09	(45.89)	-8%
7000		794.13		777.34	695.37	(98.75)	-12%	695.37	(81.97)	-11%
10000		1,142.67		1,125.88	989.79	(152.87)	-13%	989.79	(136.09)	-12%

B. Small General Service (Schedule G-1)

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

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

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

There is no proposed change to the Small General Service schedule G-1.

Table 6

Small General Service
Existing Rates vs. Proposed Rates
(0 - 30 Monthly KW)

	Existing Rates	2015 Rates	
Basic Charge			
Single-Phase	$22.50	$22.50	per month
Three-Phase	$33.25	$33.25	per month
Demand Charge			
First 10 kW	No Charge	No Charge	per kW
Over 10 kW	$6.950	$6.950	per kW
Delivery Charge			
First 1,750 kWh	$0.03490	$0.03490	per kWh
Additional kWh	0.00129	0.00129	per kWh
Energy Charge			
All kWh	$0.06732	$0.06732	per kWh

C. Medium General Service (Schedule G-2)

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

There are 1,750 commercial customers presently served in the demand range for Medium General Service (Schedule G-2). This rate typically applies to non-residential accounts for service at secondary distribution voltages of 480 volts and primary voltages of up to 12.47 kilovolts. Under the General Service schedule, EWEB provides all distribution and service facilities necessary to meet the power requirements of the customer at the delivered voltage.

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

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

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

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

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

There is no proposed change to the Medium General Service schedule G-2.

Table 7
Medium General Service
Existing Rates vs. Proposed Rates
(31 - 500 Monthly KW)

	Existing Rates			2015 Rates		
	Secondary	Primary		Secondary	Primary	
Basic Charge						
Single-Phase	$37.30	---		$37.30	---	per month
Three-Phase	$57.85	$3,360		$57.85	$3,360	per month
Demand Charge						
First 300 KW	$7.250	---		$7.250	---	per kW
Over 300 KW	$7.250	$7.100		$7.250	$7.100	per kW
Energy Charge						
All kWh	$0.06084	$0.05996		$0.06084	$0.05996	per kWh

D. Large General Service (Schedule G-3)

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

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

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

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

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

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

There is no proposed change to the Large General Service schedule G-3.

Table 8
Large General Service
Existing Rates vs. Proposed Rates
(501 - 10,000 Monthly KW)

	Existing Rates			2015 Rates		
	Secondary	Primary		Secondary	Primary	
Basic Charge	$2,690	$2,615		$2,690	$2,615	per month
Demand Charge						
First 300 KW	---	---		---	---	per kW
Over 300 KW	$7.500	$7.300		$7.500	$7.300	per kW
Energy Charge						
All kWh	$0.04823	$0.04730		$0.04823	$0.04730	per kWh

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

This service is available to very large general service loads over 10,000 kilowatts of demand, or customers classified as "New Large Single Load" by the Bonneville Power Administration that are not presently covered under a power sales agreement with EWEB. The basic charge for Very Large General Secondary Service is $2,717 and Primary Service is $2,645 per month; demand charge is $0 for the first 300 kW for both Secondary and Primary; Over 300 kW is $7.17 per kW for Secondary and $6.97 per kW for Primary; and the energy charge is $0.06517 per kWh for both Secondary and Primary.

There is no proposed change to the Very Large General Service schedule G-4.

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

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

There are approximately 11,400 street lights served on the EWEB system. It is estimated that agency streetlights will consume 8.5 million kilowatt-hours during 2015. This estimate is based on the wattage rating of each individual lighting fixture and the total number of nighttime hours per year. The proposed agency lighting rates reflect allocated customer, demand and energy costs by fixture type, consistent with available engineering data.

There is no proposed change for Schedules J-3 and J-4 for 2015.

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

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

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

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

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

There is no proposed change for schedules L-3 and L-4 in 2015.

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

1. Applicable

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

2. Rate

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

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

3. Contract

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

4. Start Date

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

5. Metering

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

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

February 2015 Water Rate Proposal

Fiscal Services Department
December 2014

EUGENE WATER & ELECTRIC BOARD
2015 Water Rate Proposal

TABLE OF CONTENTS

CHANGES FROM NOVEMBER 2014 PROPOSAL

Addition of Executive Summary below.

EXECUTIVE SUMMARY

The 2015 Rate Proposal was developed in accordance with the proposed 2015 budget. The cost of service analysis, revenue requirements and proposed rate schedules by customer class, are included in this document.

Table 1, on page 12, provides the detailed revenue requirements which are based on the proposed 2015 budget. Overall this resulted in a 4.9% change in revenue requirements. The summary findings of the cost of service analysis are presented in Table 3 on page 16. The proposed revenue and rate change by customer class are presented in Table 4 on page 17.

Staff is recommending using the gradualism ratemaking principle in this rate proposal for several reasons. A new fixed asset system and a new accounting reporting structure have been implemented. In addition, benefits are now allocated based on actual wages, following the FTE. It is likely that 2015 actual financial results and therefore, the 2016 budget and COSA, will be impacted by these changes.

I INTRODUCTION

Purpose of Study

The purpose of this rate study is to provide background information and technical analyses in support of the Eugene Water & Electric Board (EWEB) management proposal for revised water rates. 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 2015. The most recent changes to water rates occurred in February 2014, with an overall average increase of 5.7%. As proposed, the 2015 Water Rate Proposal is for an overall average increase of 4.9%. This increase is included in the 2015 proposed budget.

Drivers for the proposed rate increase are in part due to an increase in operations and maintenance costs, and the need to meet required cash balances as set by the board. The 2015 proposed budget assumes net consumption of 7.6 million kgals which is slightly higher than the 2014 budget but slightly lower than actual 2013 consumption and 2014 projected consumption.

In keeping with proposed 2015 budget assumptions, anticipated expenditures, forecasted sales for the 12-month period and the results of a detailed Cost of Service study, EWEB staff is recommending the following adjustments to water rates for each customer class:

Customer Class	Rate Schedule	Change Proposed
Residential – Inside/Outside City	R-1, R-2	5.2%
General Service – Inside/Outside City	G-1, G-2	3.0%
River Road and Santa Clara Water Districts	4	5.6%
Willamette Water Company	5	6.5%
Veneta	6	0.0%
Private Fire Lines		3.2%
Elevation Charges		36.8%
Overall Average Increase		**4.9%**

If approved by the EWEB Commissioners following the scheduled public hearings, revised water rates will become effective with billings rendered on and after February 1, 2015 with the exception of the Water Districts. Consistent with 2014, the Water Districts' rate increase will become effective July 1, 2015.

Establishment of Rates

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 rates for water service.

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

The first of these rate making standards allows EWEB to set rates 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 rates.

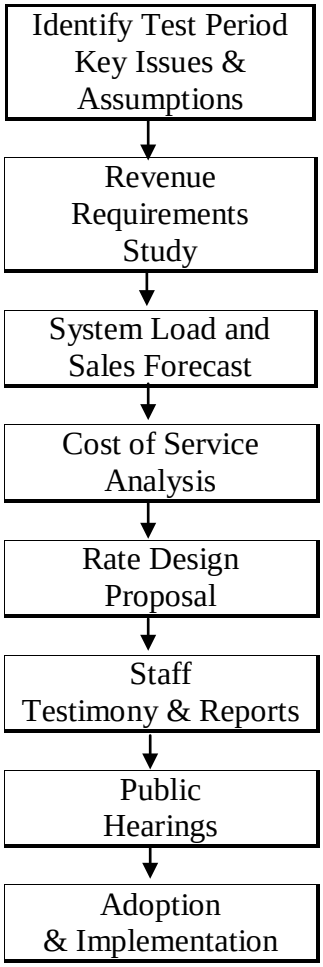
The second standard requires that rates and charges for utility service be fair and non-discriminatory. Rates are considered non-discriminatory when customers receiving like and synchronous service under similar circumstances are treated equally in the development and application of specific rates. This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

Rate Review Process

EWEB's water rates 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 rate adjustment, EWEB staff is directed to prepare studies which determine appropriate rate levels for each customer class. This formal review process involves several steps, all of which are coordinated with the EWEB Commissioners, General Manager, and management of the utility's operating departments. The process also affords an opportunity for review and comment by EWEB customers and other interested parties (see *Figure 1*).

Figure 1
Rate Review Process



The first step in the rate review process is a detailed examination of the projected operating costs, capital expenditures, and anticipated revenues at current rates. The purpose of this effort is to confirm the overall revenue requirements that serve as a basis for development of proposed rates, the timing of

the proposed rate adjustment, and the period of time (or "test period") over which the new rates 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 rate 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 rate 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. Rate recommendations for each of EWEB's four major customer classes are documented in Section VI - Rate Recommendations.

Public Notice and Hearings Schedule

EWEB's rate review process is a formal, sequential procedure. The underlying objectives of this process are to ensure that EWEB customers and the general public receive adequate notice and explanation of pending rate change proposals, and provide an opportunity for the Board to hear and consider all public comments prior to approval and implementation of revised rates.

Concurrent with the budget approval process, two public hearings are scheduled to provide for official explanation of the rate proposal and gather further public comment. A related legal notice was subsequently placed in a local newspaper.

The name of the newspaper and publication date for the legal notice was as follows:

Publication Name	Date
The Register-Guard	September 29, 2014

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

Customers are invited to comment on EWEB's budget and rate assumptions at public hearings throughout the budget development process. There are two scheduled public hearings specifically for the rate proposals. The hearings will be held during the EWEB Board meetings on Tuesday, November 4, 2014 at 5:30 p.m. and Tuesday, December 2, 2014 at 5:30 p.m. at the EWEB Headquarters, 500 East Fourth Avenue, in Eugene.

Written comments are also welcome and may be sent to the attention of Budget, EWEB's Fiscal Services Department, P.O. Box 10148, Eugene, OR 97440 or by email to Budget@EWEB.org. For timely consideration, written comments must be received prior to December 2, 2014 to ensure delivery to the Board prior to their scheduled action on the rate proposal.

EXHIBIT 1

BEFORE THE EUGENE WATER & ELECTRIC BOARD

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

NOTICE OF PUBLIC HEARINGS AND INVITATION TO COMMENT

Two dates are scheduled for public hearings to seek public comment regarding proposed 2015 budget approval and adjustments to EWEB water and electric rates. If approved, the proposed changes for residential, general service and other customers of the Eugene Water & Electric Board would become effective with utility billings rendered on or after February 1, 2015.

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

November 4, 2014 - 5:30 p.m.
December 2, 2014 - 5:30 p.m.

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

Specific rate recommendations for each customer class may be obtained beginning October 29, 2014, or by calling EWEB's Fiscal Services Department at (541) 685-7688 or emailing budget@eweb.org Copies of the budget document and rate proposals will be made available at the public hearing.

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. For timely consideration, written comments must be received prior to the public hearing on December 2, 2014.

E-mail comments may be directed to: susan.fahey@eweb.org

II. BACKGROUND INFORMATION

A. Organizational Structure

The Eugene Water & Electric Board is responsible for providing electric and water service within the City of Eugene and certain outlying areas. The specific duties delegated to the Board pursuant to the Eugene City Charter are carried out by five elected Commissioners who serve without pay. The Commissioners and expiration dates of their respective terms of office are as follows:

	Area	Term Expires December 31,
John Brown, President	Wards 4, 5	2014*
Steve Mital, Vice President	Wards 1, 8	2016
Richard Helgeson	Wards 2, 3	2016
James Manning	Wards 6, 7	2016
John Simpson	At Large	2014*

** Re-elected to additional three year term in November 2014*

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. A second meeting is occasionally held on the third Tuesday of the month. All meetings are open to the public and provide opportunities for public participation.

Under the direction of General Manager Roger Gray and the leadership staff, EWEB employed 519 combined electric and water personnel as of third quarter 2014. EWEB's organization chart is shown as Figure 2. The executive and leadership staff, responsible for each of the major operating areas, is as follows:

Executive	Department
Roger Gray	General Manager

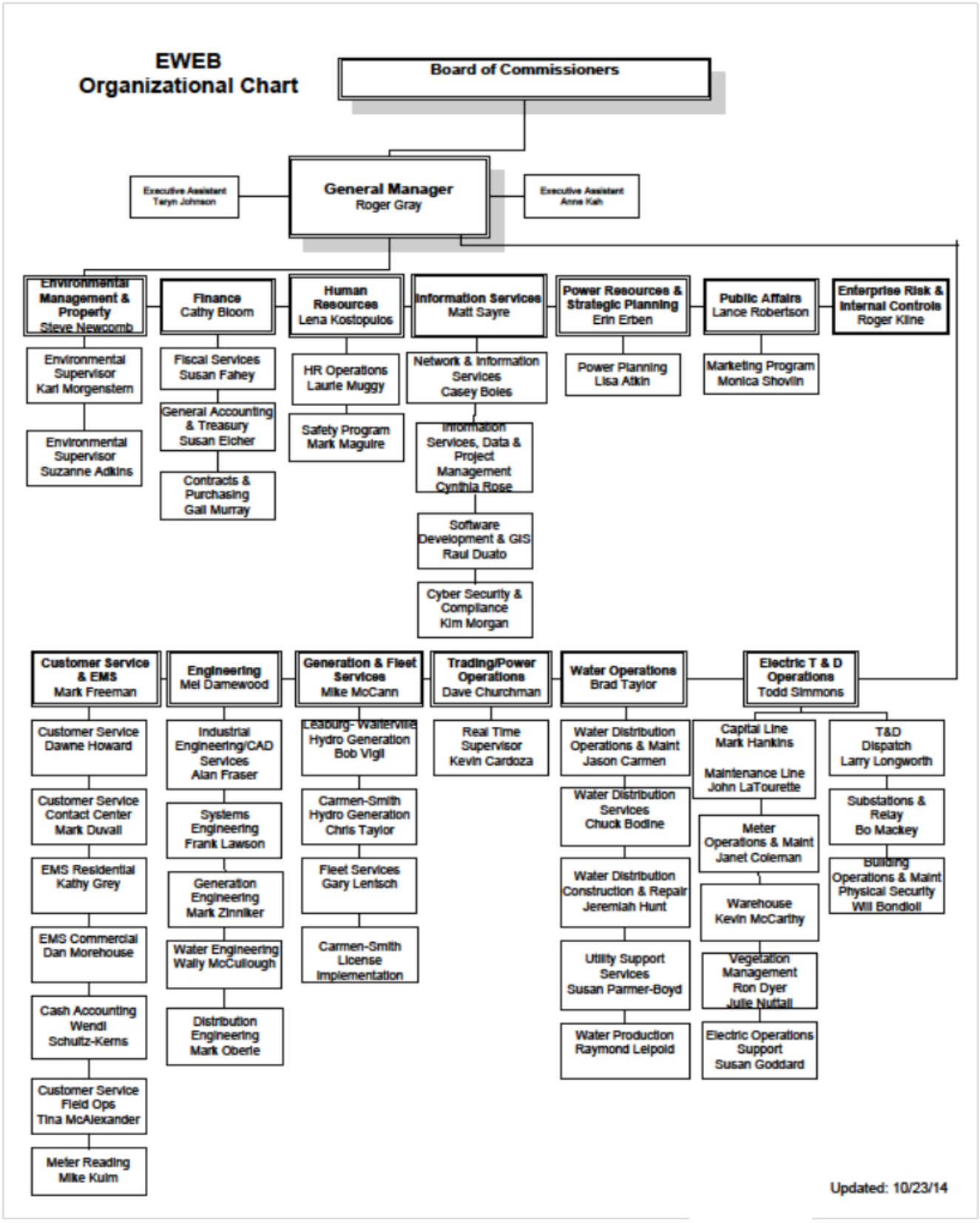
Leadership Team Member	Areas of Responsibility
Steve Newcomb	Environmental Management
Cathy Bloom	Financial Services
Lena Kostopulos	Human Resources
Matt Sayre	Information Services
Erin Erben	Power Resources & Strategic Planning
Lance Robertson	Public Affairs
Mark Freeman	Customer Service & Energy Management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

The utility's business priorities are reviewed annually by the Board, General Manager and a planning group made up of the leadership staff and other key personnel. Major organizational goals, strategic issues, opportunities, and planning contingencies for the coming year are then documented in the annual EWEB Strategic Plan. Each work unit derives from the Strategic Plan annual performance targets to address management priorities through ongoing work plans and schedules. The General Manager meets frequently with the Leadership Team members who hold regular meetings with their department staff to maintain employee productivity and efficient operations.

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

Feedback was invited in the recently completed Customer Survey Report where over 1,300 EWEB customers ranked the level of importance and performance satisfaction to core functions of the utility including the value of public power. The survey included questions designed to specifically determine customer spending priorities. Customer respondents had the highest satisfaction with drinking water quality, water and electric service reliability, and the value of having public power over an investor owned utility. These and other survey results reaffirm the longstanding commitment EWEB has to deliver value to the citizens of the Eugene.

Figure 2


EWEB
Organizational Chart
Board of Commissioners
Executive Assistant
Taryn Johnson
General Manager
Roger Gray
Executive Assistant
Anne Kah
Environmental Management & Property
Steve Newcomb
Finance
Cathy Bloom
Human Resources
Lena Kostopulos
Information Services
Matt Sayre
Power Resources & Strategic Planning
Erin Erben
Public Affairs
Lance Robertson
Enterprise Risk & Internal Controls
Roger Kline
Environmental Supervisor
Karl Morgenstern
Environmental Supervisor
Suzanne Adkins
Fiscal Services
Susan Fahey
General Accounting & Treasury
Susan Eicher
Contracts & Purchasing
Gail Murray
HR Operations
Laurie Muggy
Safety Program
Mark Maguire
Network & Information Services
Casey Boles
Information Services, Data & Project Management
Cynthia Rose
Software Development & GIS
Raul Duato
Cyber Security & Compliance
Kim Morgan
Power Planning
Lisa Atkin
Marketing Program
Monica Shovlin
Customer Service & EMS
Mark Freeman
Engineering
Mel Damewood
Generation & Fleet Services
Mike McCann
Trading/Power Operations
Dave Churchman
Water Operations
Brad Taylor
Electric T & D Operations
Todd Simmons
Customer Service
Dawne Howard
Customer Service Contact Center
Mark Duvall
EMS Residential
Kathy Grey
EMS Commercial
Dan Morehouse
Cash Accounting
Wendi Schultz-Kerns
Customer Service Field Ops
Tina McAlexander
Meter Reading
Mike Kulm
Industrial Engineering/CAD Services
Alan Fraser
Systems Engineering
Frank Lawson
Generation Engineering
Mark Zinniker
Water Engineering
Wally McCullough
Distribution Engineering
Mark Oberle
Leaburg-Walterville Hydro Generation
Bob Vigil
Carmen-Smith Hydro Generation
Chris Taylor
Fleet Services
Gary Lentsch
Carmen-Smith License Implementation
Real Time Supervisor
Kevin Cardoza
Water Distribution Operations & Maint
Jason Carmen
Water Distribution Services
Chuck Bodine
Water Distribution Construction & Repair
Jeremiah Hunt
Utility Support Services
Susan Parmer-Boyd
Water Production
Raymond Leipold
Capital Line
Mark Hankins
Maintenance Line
John LaTourette
Meter Operations & Maint
Janet Coleman
Warehouse
Kevin McCarthy
Vegetation Management
Ron Dyer
Julie Nuttall
Electric Operations Support
Susan Goddard
T&D Dispatch
Larry Longworth
Substations & Relay
Bo Mackey
Building Operations & Maint
Physical Security
Will Bondioli
Updated: 10/23/14

B. Water System Highlights

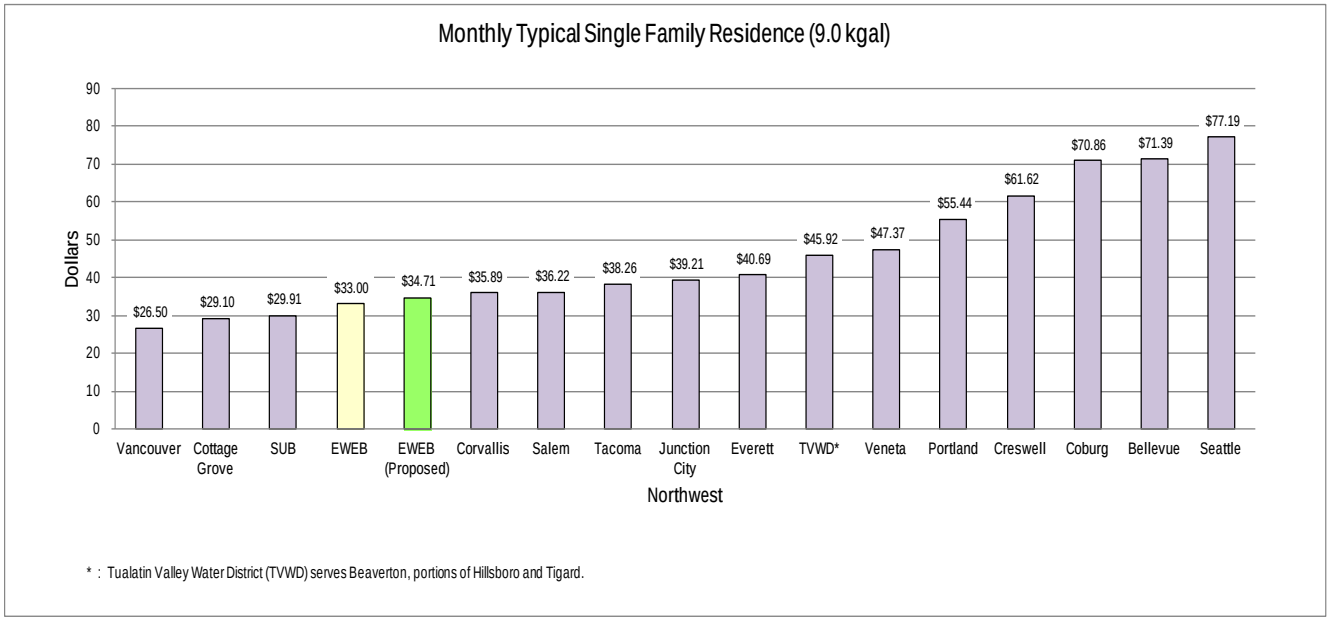
EWEB is the largest publicly owned utility in the state of Oregon. Founded by the citizens of Eugene in 1911, EWEB has remained a successful provider of essential utility services to the local community for over 100 years.

The Water System provides water to all areas within the city, two water districts, and the City of Veneta. Water is supplied from the McKenzie River and is treated at the Hayden Bridge Filtration Plant, one of the largest treatment plants in Oregon. Water is pumped from the Hayden Bridge Filtration Plant into the distribution system through two large transmission mains. The water distribution system consists of 26 enclosed reservoirs with a combined storage capacity of 94 million gallons, 31 pump stations, and approximately 800 miles of distribution mains.

C. Retail Rate Change

A comparison of current monthly residential bills for selected Northwest communities is shown in Figure 3. Sample bills are calculated using EWEB's monthly average single family residence consumption of 9 Kgals. A bill of $33.00 for EWEB in the figure is calculated using the existing residential rate.

Figure 3



III. REVENUE REQUIREMENTS STUDY

This section contains a general description of EWEB's annual budgeting process. It includes the documentation of EWEB's 2015 proposed budgeted expenses and revenue requirements which has been designated as the test period for the current rate proposal. In addition to determining the overall percentage revenue increase needed to sustain operation of the water utility, the test period revenue requirements are a primary input to the Cost of Service Analysis (see Section V).

A. Preparation of the Annual Budget

At the beginning of each annual budget cycle, the utility's strategic priorities are identified by the Board, General Manager and a planning group made up of the leadership team and other key personnel. Major organizational goals, strategic issues, opportunities, and planning contingencies are then documented in the EWEB Strategic Plan. The Strategic Plan drives specific performance targets to address management priorities through ongoing work assignments and schedules.

EWEB uses a priority based budgeting approach in developing budgets to ensure that constrained resources are spent in alignment with customer priorities and the Board's strategic direction. In developing the 2013 and 2014 budgets, EWEB reduced over 70 positions and $7.7 million O&M dollars to increase the financial stability of both Utilities. In addition, capital budgets were reduced or deferred by $60 million and $20 million in 2013 and 2014, respectively. Both Utilities are more financially stable and significant reductions were not required in the 2015 budget.

After anticipated expenditures have been submitted and reviewed, the results are compiled and compared with historical costs and anticipated revenues for the budget period. When a budget deficit is apparent, efforts are made to reduce operating and capital expenses. 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 rate adjustment.

A draft budget with explanations on variances from prior years is then discussed with the EWEB Commissioners. The Board reviews the draft budget in detail and may suggest program adjustments and revisions. Public hearings are held to ensure customers have the opportunity to provide feedback. The Board approves a final budget in December which then becomes the operating plan for the next budget year.

All program managers are required to expend funds in a manner consistent with approved budget estimates. As individual projects are authorized, year-to-date balances are compared to projected budgets to ensure that costs continue to track as expected. 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 original budgets, with differences noted for potential input to the next year's budget cycle.

B. Test Period Revenue Requirements

EWEB has designated calendar year 2015 as the "test period" for development of water system costs and revenues in this current rate proposal. This corresponds with the annual expenditures included in the 2015 proposed Water Utility Budget. For the February 2015 rate study, staff incorporated the projected sales, revenues and expenditure data from the proposed 2015 budget directly as a basis for this rate proposal.

Table 1 contains a summary of the revenue requirements for the 2015 test period to be recovered through proposed water rates. Column "a" shows the financial results anticipated at current rates, while column "b" indicates the results obtained under management's rate adjustment proposal. As indicated earlier, proposed rates are designed to increase operating revenues by 4.9%, in order to eliminate the deficit that would occur without a rate adjustment. Column "c" reflects the percentage share of total revenues or costs represented by each category.

Table 1
Water System Revenue Requirements
For 2015 Rate Test Period

	Current Rates (a)	Revenues at Proposed Rates (b)	% of Total (c)
Revenues			
Rate Revenues	$ 32,544,000	$34,136,000	82.18%
Bond Proceeds, Interest, and Other Income[1]	7,401,000	7,401,000	17.82%
Total	**39,945,000**	**41,537,000**	**100.00%**
Expenditures			
Operation & Maintenance			
Source of Supply	719,000	719,000	3.68%
Pumping	1,744,000	1,744,000	8.92%
Power for Pumping	611,000	611,000	3.12%
Purification	3,093,000	3,093,000	15.82%
Transmission & Distribution	8,220,000	8,220,000	42.03%
Customer Accounting	1,868,000	1,868,000	9.55%
Conservation	199,000	199,000	1.02%
Administrative & General	3,102,000	3,102,000	15.86%
Subtotal	**19,556,000**	**19,556,000**	**47.08%**
Other Expenditures			
Construction & Capital[2]	14,410,000	14,410,000	72.51%
Debt Service, Interest, and Amortization	5,737,000	5,737,000	28.87%
Balance Sheet Changes	(273,000)	(273,000)	-1.37%
Subtotal	**19,874,000**	**19,874,000**	**47.85%**
To Working Cash/Operating Reserves	**2,107,000**	**2,107,000**	**5.07%**
Revenue Requirements	**41,537,000**	**41,537,000**	**100.00%**
Surplus / (Deficiency)	**($1,592,000)**	**$0**	
As a % of Rate Revenue	**-4.9%**	**0%**	

[1.] Includes System Development Charge Revenue

[2.] Includes Contribution In Aid

IV. SYSTEM SALES AND REVENUE FORECAST

A. Overview of EWEB's Forecasting Process

EWEB routinely prepares both short and long-range water system sales forecasts as part of its ongoing planning activities. Annual projections of total system water sales are prepared using both historical sales data from EWEB records and projected economic and demographic data for the Eugene area. The annual sales forecast forms the basis for revenue projections in the water cost of service analysis.

Basic growth projections for EWEB's system are developed through application of various forecasting methods, which include trending and econometric analysis. System forecasts are examined regularly and adjusted for changing local economic conditions and customer characteristics. The resulting base forecasts become a key input to water resource planning, facilities design and preparation of annual budgets. They also become an integral part of the rate development process as a basis for allocation of operating costs and design of proposed rates 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 2015 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 rates and the results obtained for the 2015 test period.

B. Methodology and Procedures

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

Projection of monthly customer sales relies on historical data collected by EWEB's Fiscal Services Department from a number of internal sources. Monthly historical sales statistics are obtained from EWEB financial statements and accounting records. In addition, Fiscal Services maintains a detailed record of customer billing statistics for each rate 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 rate test period. Such review ensures that the sales forecast used in the rate 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 rate 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 or "spread factors" are then applied to the initial aggregate utility forecast to produce a monthly projection of consumption by rate class.

C. 2015 Forecast Results

The results of EWEB's forecast of sales for the 2015 rate test period are summarized briefly below:

Table 2
Test Period Forecast of Water Utility
Customers & Sales by Rate Class
For January through December 2015

Customer Class	Count	Kgal Sales (1,000 Gallons)	% of Sales
Residential - Inside City	44,600	3,759,191	49.4%
Residential - Outside City	486	48,634	0.6%
General Service - Inside City	4,791	2,958,849	38.9%
General Service - Outside City	199	137,322	1.8%
Water Districts	2	604,184	7.9%
Willamette Water District	1	27,392	0.4%
City of Veneta	1	72,000	0.9%
Private Fire Lines **	1,010	N/A	N/A
Total	**51,090**	**7,607,572**	**100.0%**

** *Elevation number of customers and consumption sales are included in the above customer classes*

V. COST OF SERVICE ANALYSIS

This section documents the procedures used in development of EWEB's Cost of Service study.

A. Costing Methods and Procedures

EWEB's Cost of Service methodology uses standard water utility costing procedures to allocate the test period revenue requirements to each customer class. The allocated costs reflect the contribution of each rate class to total system costs during the period for which rates are being developed. Study results also measure the degree of equity in rates 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 rate levels and percentage adjustments for each customer class.

The Cost of Service study begins with a detailed assessment of the Utility's draft operating budget and revenue requirements for the upcoming rate period. The current analysis uses the base information contained in the 2015 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 rate class. Specific items are also identified for direct assignment when they are clearly associated with service to particular rate classes.

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

Detailed information on specific proposed budget revenue requirements, functional categorization of expenses, and classification of expenses and allocation of the revenue requirement to customer classes is available upon request for the cost of duplication.

B. Cost of Service Summary

As documented previously in Section III, Revenue Requirements Study, EWEB projects total operating costs, capital costs, and reserve deposits for the Water Utility to be $41.5 million for the 2015 rate test period. A net revenue requirement of $34.1 million remains after applying a $7.4 million credit for bond proceeds, interest earnings and other non-rate revenues. At current rates, offsetting water sales revenue of $32.5 million leaves a remaining budget deficit of approximately $1.6 million to be recovered through the proposed rate increase.

This $1.6 million deficit translates directly to an increase in required rate revenues during the test period. Proposed rates for individual customer classes, however, vary from this percentage to incorporate the results of the Cost of Service study. The results of the Cost of Service study by customer class with indicated rate adjustments are shown in the table below.

Table 3

Cost of Service Summary

Customer Class	Revenue at Current Rates	Revenue at Proposed Rates	Allocated Cost of Service	Dollar Difference	Percent Difference
Residential *	$17,669,169	$18,580,684	$19,193,353	(1,524,184)	8.6%
General Service *	11,701,479	12,052,519	11,608,691	92,788	-0.8%
Water Districts **	1,680,060	1,774,069	1,827,885	(147,825)	8.8%
Willamette Water Company	102,160	108,830	114,721	(12,561)	12.3%
City of Veneta	113,358	113,358	100,915	12,443	-11.0%
Private Fire Lines	721,756	744,852	745,045	(23,289)	3.2%
Elevation Charges	556,472	761,221	546,218	10,255	-1.8%
Total	**$32,544,454**	**$34,135,532**	**$34,136,827**	**($1,592,373)**	**4.9%**

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

*** Water District Admin charges are not included in rate revenues.*

VI. RATE RECOMMENDATIONS

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

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

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

Staff is recommending using the gradualism ratemaking principle in this rate proposal for several reasons. It is likely that 2015 actual financial results and therefore, the 2016 budget and COSA, will be impacted due to the implementation of a new centralized fixed asset system, a new accounting reporting structure, and benefits being allocated based on actual wages, not estimated.

Table 4
2015 Proposed Revenue
by Customer Class

Customer Class	Rate Schedule (s)	Revenue Requirement	Proposed Rate Revenue	Proposed Rate Change
Residential **	R-1, R-2	$19,193,353	$18,580,684	5.2%
General Service **	G-1, G-2	11,608,691	12,052,519	3.0%
Water Districts	4	1,827,885	1,774,069	5.6%
Willamette Water Company	5	114,721	108,830	6.5%
Veneta	6	100,915	113,358	0.0%
Private Fire Lines **		745,045	744,852	3.2%
Elevation Charges		546,218	761,221	36.8%
Total		**$34,136,827**	**$34,135,532**	**4.9%**

*** The cost of service analysis did not allocate costs between the inside city and outside city customers. Therefore, they are included in the residential and general services classes of service.*

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

The rate increase for residential customers varies depending on consumption and meter size as illustrated in *Table 5*. The monthly base charge depending on pumping level is proposed to increase $2 per level to $3, $5, and $7. The volumetric charge for elevation remains the same. *Table 6* provides information on rate and monthly bill comparison using current and proposed rates for a residential customer within the City of Eugene and outside of an elevation zone. *Tables 7-10* provide information on the calculation of revenues at current and proposed rates.

Table 5

Water

Residential Service Within City Limits, SCHEDULE R-1

Existing vs. Proposed Rates

	Existing Rates	Proposed Rates	
Basic Charge			
5/8"	$17.49	$19.20	per month
3/4"	$18.20	$19.98	per month
1"	$23.61	$25.92	per month
1-1/2"	$36.12	$39.66	per month
2"	$64.72	$71.06	per month
3"	$145.80	$150.17	per month
Volume Charge			
First 8 kgal	$1.601	$1.601	per kgal
Next 22 kgal	$2.703	$2.703	per kgal
over 30 kgal	$4.378	$4.378	per kgal
Elevation Charge			
Pumping Level 1	$0.244	$0.244	per kgal
Pumping Level 2	$0.488	$0.488	per kgal
Pumping Level 3	$0.722	$0.722	per kgal

Table 6
EUGENE WATER & ELECTRIC BOARD
Rate and Monthly Bill Comparison

RESIDENTIAL SERVICE WITHIN CITY LIMITS
SCHEDULE R-1

Meter Size	Monthly Kgal Level	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Dollar Difference	Percent Difference
5/8 inch					
	0	$17.49	$19.20	$1.71	9.8%
	1	$19.09	$20.80	1.71	9.0%
	2	$20.69	$22.40	1.71	8.3%
	3	$22.29	$24.00	1.71	7.7%
	4	$23.89	$25.60	1.71	7.2%
	5	$25.50	$27.21	1.71	6.7%
	6	$27.10	$28.81	1.71	6.3%
	7	$28.70	$30.41	1.71	6.0%
	8	$30.30	$32.01	1.71	5.6%
	9	$33.00	$34.71	1.71	5.2%
	10	$35.70	$37.41	1.71	4.8%
	12	$41.11	$42.82	1.71	4.2%
	15	$49.22	$50.93	1.71	3.5%
	20	$62.73	$64.44	1.71	2.7%
	25	$76.25	$77.96	1.71	2.2%
	30	$89.76	$91.47	1.71	1.9%
	35	$111.65	$113.36	1.71	1.5%
	40	$133.54	$135.25	1.71	1.3%
	45	$155.43	$157.14	1.71	1.1%

PRESENT RATES	
Basic Charge	
5/8"	$17.49
1"	23.61
1 1/2"	36.12
2"	64.72
Volume $/gallons	
First 8,000 gallons	$1.60
Next 22,000 gallons	$2.70
All over 30,000 gallons	$4.38

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

Table 7

Calculation of the Revenues at Present and Proposed Rates

SCHEDULE R-1 - Residential Water Service Inside City Limits

Estimated 12 Months Ended December 31, 2015

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates [1]	Proposed Charge	Proposed Annual Revenue [1]
BASIC CHARGE						
5/8"	41,082	492,984	$17.49	$8,581,619	$19.20	$9,417,912
3/4"	218	2,616	$18.20	$47,387	$19.98	$51,880
1"	3,200	38,400	$23.61	$902,336	$25.92	$987,936
1 - 1/2"	94	1,128	$36.12	$40,552	$39.66	$44,404
2"	6	72	$64.72	$4,638	$71.06	$5,078
Total	44,600	535,200		$9,576,531		$10,507,209
VOLUME CHARGE						
First 8,000 gallons	64.6%	2,430,099	$1.601	$3,724,942	$1.601	$3,732,890
Next 22,000 gallons	27.4%	1,028,173	2.703	2,776,345	2.703	2,777,800
Over 30,000 gallons	8.0%	300,919	4.378	1,315,672	4.378	1,273,643
Total		3,759,191		$7,816,958		$7,784,334
Total Calculated Revenue				**$17,393,490**		**$18,291,543**
Revenue Increase						**$898,053**

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

Table 8

Calculation of the Revenues at Present and Proposed Rates

SCHEDULE R-2 - Residential Water Service Outside City Limits

Estimated 12 Months Ended December 31, 2015

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates [1]	Proposed Charge	Proposed Annual Revenue [1]
BASIC CHARGE						
5/8"	420	5,040	$22.75	$114,114	$24.95	$124,824
3/4"	2	24	$23.65	$565	$25.95	$618
1"	59	708	$30.70	$21,632	$33.70	$23,683
1 - 1/2"	4	48	$46.95	$2,243	$51.55	$2,456
2"	1	12	$84.15	$1,005	$92.40	$1,101
Total	486	5,832		$139,559		$152,681
VOLUME CHARGE						
First 8,000 gallons	61.6%	29,969	$2.081	$62,103	$2.081	$62,365
Next 22,000 gallons	30.3%	14,758	$3.514	51,812	3.514	51,860
Over 30,000 gallons	8.0%	3,907	$5.691	22,205	5.691	22,235
Total		48,634		$136,121		$136,460
Total Calculated Revenue				**$275,680**		**$289,141**
Revenue Increase						**$13,461**

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

Table 9
Calculation of the Revenues at Present and Proposed Rates
ELEVATION CHARGES - Consumption Charges
Estimated 12 Months Ended December 31, 2015

Pumping Level	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates [1]	Proposed Charge	Proposed Annual Revenue [1]
Residential Inside City						
1	All KGAL	414,112	$0.244	$100,498	$0.244	$101,043
2	All KGAL	212,170	$0.488	$102,980	$0.488	$103,539
3	All KGAL	126,107	$0.722	$90,551	$0.722	$91,049
Total		752,389		$294,029		$295,632
Residential Inside City						
1	All KGAL	2,420	$0.244	$587	$0.244	$590
2	All KGAL	7,271	$0.488	$3,530	$0.488	$3,548
3	All KGAL	12,540	$0.722	$9,005	$0.722	$9,054
Total		22,231		$13,122		$13,193
General Service Inside City						
1	All KGAL	68,623	$0.244	$16,648	$0.244	$16,744
2	All KGAL	15,075	$0.488	$7,314	$0.488	$7,357
3	All KGAL	5,991	$0.722	$4,300	$0.722	$4,326
Total		89,689		$28,263		$28,426
General Service Outside City						
1	All KGAL	1,151	$0.244	$279	$0.244	$281
2	All KGAL	0	$0.488	$0	$0.488	$0
3	All KGAL	592	$0.722	$424	$0.722	$427
Total		1,743		$702		$708
Total Calculated Revenue - Fixed				**$336,116**		**$337,959**

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

Table 10
Calculation of the Revenues at Present and Proposed Rates
ELEVATION CHARGES - Meter Charges
Estimated 12 Months Ended December 31, 2015

Pumping Level	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates [1]	Proposed Charge	Proposed Annual Revenue [1]
Residential Inside City						
1	5,565	66,780	$1.00	$66,780	$3.00	$189,210
2	2,399	28,788	$3.00	$86,364	$5.00	$139,142
3	951	11,412	$5.00	$57,060	$7.00	$77,982
Total	8,915	106,980		$210,204		$406,334
Residential Outside City						
1	24	288	$1.00	$288	$3.00	$816
2	62	744	$3.00	$2,232	$5.00	$3,596
3	78	936	$5.00	$4,680	$7.00	$6,396
Total	164	1,968		$7,200		$10,808
General Service Inside City						
1	102	1,224	$1.00	$1,224	$3.00	$3,468
2	26	312	$3.00	$936	$5.00	$1,508
3	11	132	$5.00	$660	$7.00	$902
Total	139	1,668		$2,820		$5,878
General Service Outside City						
1	3	36	$1.00	$36	$3.00	$102
2	1	12	$3.00	$36	$5.00	$58
3	1	12	$5.00	$60	$7.00	$82
Total	5	60		$132		$242
Total Calculated Revenue - Fixed				**$213,156**		**$423,262**

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

B. General Service Inside City Limits (Schedule G-1)

EWEB's commercial and industrial customers inside the City of Eugene are presently served at the General Service rate Schedule G-1. This rate 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 11 provides information on revenues at existing rates and revenues at proposed rates. *Table 12* provides information on monthly bill comparisons at existing and proposed rates.

Table 11

Calculation of the Revenues at Present and Proposed Rates

SCHEDULE G-1 - General Service Water Service Inside City Limits

Estimated 12 Months Ended December 31, 2015

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates [1]	Proposed Charge	Proposed Annual Revenue [1]
BASIC CHARGE						
5/8"	1,595	19,140	$17.49	$333,180	$19.49	$369,849
3/4"	40	480	$18.20	$8,695	$20.28	$9,651
1"	1,373	16,476	$23.61	$387,159	$26.31	$429,776
1 - 1/2"	903	10,836	$36.12	$389,554	$40.24	$432,320
2"	555	6,660	$64.72	$429,004	$72.11	$476,151
3"	101	1,212	$145.80	$175,876	$162.45	$195,208
4"	55	660	$248.94	$163,525	$277.37	$181,501
6"	99	1,188	$373.54	$441,673	$416.20	$490,222
8"	67	804	$540.71	$432,680	$602.46	$480,241
10"	3	36	$763.68	$27,363	$850.89	$30,370
Total	4,791	57,492		$2,788,708		$3,095,289
VOLUME CHARGE						
All KGAL (1,000 gallons)		2,958,849	$2.745	$8,095,409	$2.745	$8,117,374
Total Calculated Revenue				**$10,884,118**		**$11,212,663**
Revenue Increase						**$328,546**
Average Cost per KGAL (1,000 gallons)				$3.68		$3.79

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

Table 12
EUGENE WATER & ELECTRIC BOARD
Rate and Monthly Bill Comparison

GENERAL SERVICE INSIDE CITY LIMITS
SCHEDULE G-1

	5/8" SERVICE			1" SERVICE			2" SERVICE			4" SERVICE			6" SERVICE		
Monthly Usage Level (KGAL)	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.
0	$17.49	$19.49	11.4%												
5	31.22	33.22	6.4%												
10	44.94	46.94	4.5%	$51.06	$53.76	5.3%									
15	58.67	60.67	3.4%	64.79	67.49	4.2%									
20	72.39	74.39	2.8%	78.51	81.21	3.4%	$119.62	$127.01	6.2%						
25	86.12	88.12	2.3%	92.24	94.94	2.9%	133.35	140.74	5.5%						
30	99.84	101.84	2.0%	105.96	108.66	2.5%	147.07	154.46	5.0%						
40	127.29	129.29	1.6%	133.41	136.11	2.0%	174.52	181.91	4.2%						
50	154.74	156.74	1.3%	160.86	163.56	1.7%	201.97	209.36	3.7%	$386.19	$414.62	7.4%			
75				229.49	232.19	1.2%	270.60	277.99	2.7%	454.82	483.25	6.3%			
100				298.11	300.81	0.9%	339.22	346.61	2.2%	523.44	551.87	5.4%	$648.04	$690.70	6.6%
200				572.61	575.31	0.5%	613.72	621.11	1.2%	797.94	826.37	3.6%	922.54	965.20	4.6%
250				709.86	712.56	0.4%	750.97	758.36	1.0%	935.19	963.62	3.0%	1,059.79	1,102.45	4.0%
500							1,437.22	1,444.61	0.5%	1,621.44	1,649.87	1.8%	1,746.04	1,788.70	2.4%
750										2,307.69	2,336.12	1.2%	2,432.29	2,474.95	1.8%
1,000										2,993.94	3,022.37	0.9%	3,118.54	3,161.20	1.4%
1,500													4,491.04	4,533.70	0.9%
2,000													5,863.54	5,906.20	0.7%
2,500													7,236.04	7,278.70	0.6%

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

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

Table 13 provides information on revenues at existing rates and revenue at proposed rates. *Table 14* provides information on monthly bill comparisons at existing and proposed rates.

Table 13

Calculation of the Revenues at Present and Proposed Rates

SCHEDULE G-2- General Service Water Service Outside City Limits

Estimated 12 Months Ended December 31, 2015

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates [1]	Proposed Charge	Proposed Annual Revenue [1]
BASIC CHARGE						
5/8"	82	984	$22.75	$22,386	$25.35	$24,731
3/4"	0	0	$23.65	$0	$26.35	$0
1"	40	480	$30.70	$14,736	$34.20	$16,276
1 - 1/2"	18	216	$46.95	$10,141	$52.30	$11,201
2"	14	168	$84.15	$14,137	$93.75	$15,616
3"	5	60	$189.55	$11,373	$211.20	$12,564
4"	3	36	$323.60	$11,650	$360.60	$12,871
6"	8	96	$485.60	$46,618	$541.05	$51,497
8"	22	264	$702.90	$185,566	$783.20	$204,998
Total	192	2,304		$316,606		$349,753
VOLUME CHARGE						
All KGAL (1,000 gallons)		137,322	$3.569	$487,755	$3.569	$490,102
Total Calculated Revenue				**$804,361**		**$839,855**
Revenue Increase						**$35,494**
Average Cost per KGAL (1,000 gallons)				$5.86		$6.12

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

Table 14
EUGENE WATER & ELECTRIC BOARD
Rate and Monthly Bill Comparison

GENERAL SERVICE OUTSIDE CITY LIMITS
SCHEDULE G-2

	5/8" SERVICE			1" SERVICE			2" SERVICE			4" SERVICE			6" SERVICE		
Monthly Usage Level (KGAL)	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.	Monthly Bill at Present Rates	Monthly Bill at Proposed Rates	Percent Diff.
0	$22.75	$25.35	11.4%												
5	40.60	43.20	6.4%												
10	58.44	61.04	4.4%	$66.39	$69.89	5.3%									
15	76.29	78.89	3.4%	84.24	$87.74	4.2%									
20	94.13	96.73	2.8%	102.08	$105.58	3.4%	$155.53	$165.13	6.2%						
25	111.98	114.58	2.3%	119.93	$123.43	2.9%	173.38	$182.98	5.5%						
30	129.82	132.42	2.0%	137.77	$141.27	2.5%	191.22	$200.82	5.0%						
40	165.51	168.11	1.6%	173.46	$176.96	2.0%	226.91	$236.51	4.2%						
50	201.20	203.80	1.3%	209.15	$212.65	1.7%	262.60	$272.20	3.7%	$502.05	$539.05	7.4%			
75				298.38	$301.88	1.2%	351.83	$361.43	2.7%	591.28	628.28	6.3%			
100				387.60	$391.10	0.9%	441.05	$450.65	2.2%	680.50	717.50	5.4%	$842.50	$897.95	6.6%
200				744.50	$748.00	0.5%	797.95	$807.55	1.2%	1,037.40	1,074.40	3.6%	1,199.40	$1,254.85	4.6%
250				922.95	$926.45	0.4%	976.40	$986.00	1.0%	1,215.85	1,252.85	3.0%	1,377.85	$1,433.30	4.0%
500							1,868.65	$1,878.25	0.5%	2,108.10	2,145.10	1.8%	2,270.10	$2,325.55	2.4%
750										3,000.35	3,037.35	1.2%	3,162.35	$3,217.80	1.8%
1,000										3,892.60	3,929.60	1.0%	4,054.60	$4,110.05	1.4%
1,500													5,839.10	$5,894.55	0.9%
2,000													7,623.60	$7,679.05	0.7%
2,500													9,408.10	$9,463.55	0.6%

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

EWEB provides firm surplus wholesale water to Santa Clara and River Road Water Districts and surplus wholesale water to Willamette Water Company and the City of Veneta. Each district has two contractual agreements with EWEB, one is for the service to be provided by EWEB and a second is for the supply of firm surplus water. Rates include a basic and a volume charge. The proposed annual rate increase averages approximately 5.6 % for River Road and Santa Clara Water Districts.

Table 15

Calculation of the Revenues at Present and Proposed Rates
SCHEDULE 4 - Service to Santa Clara and River Road Water Districts
Estimated 12 Months Ended December 31, 2015

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates [1]	Proposed Charge	Proposed Annual Revenue [1]
BASIC CHARGE						
4"	0	0	$0.00	$0	$490.62	$0
6"	5	60	$1,043.38	$61,399	$1,111.72	$64,653
8"	1	12	$1,801.80	$21,206	$1,919.82	$22,330
Total	6	72		$82,605		$86,983
VOLUME CHARGE						
Jan-April 2013	All KGAL	375,342	$2.580	$369,001	$2.683	$613,983
May-June 2013	All KGAL	118,917	$2.580	221,411	$2.683	N/A
July - Dec 2013	All KGAL*	109,925	$2.683	1,007,043	$2.859	1,073,103
Total		604,184		$1,597,455		$1,687,086
Total Calculated Revenue				**$1,680,060**		**$1,774,069**
Revenue Increase						**$94,009**
Recent Increase Over Present Rates						**5.6%**
Average Cost per KGAL (1,000 gallons)				$2.78		$2.94

* July 1, 2014 effective date

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

Table 16
Calculation of the Revenues at Present and Proposed Rates
SCHEDULE 5 - Willamette Water Company
Estimated 12 Months Ended December 31, 2015

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates [1]	Proposed Charge	Proposed Annual Revenue [1]
BASIC CHARGE						
5/8"	5		$22.10	$1,323	$25.35	$1,505
3/4"	0		$23.00	$0	$26.35	$0
1"	1		$29.80	$357	$34.20	$406
1 - 1/2"	0		$45.65	$0	$52.30	$0
2"	0		$81.75	$0	$93.75	$0
3"	0		$184.20	$0	$211.20	$0
4"	0		$314.45	$0	$360.60	$0
6"	0		$471.85	$0	$541.05	$0
8"	1		$683.00	$8,176	$783.20	$9,298
Total	7			$9,856		$11,209
VOLUME CHARGE						
All KGAL (1,000 gallons)		27,392	$3.378	$92,304	$3.581	$97,621
Total Calculated Revenue				**$102,160**		**$108,830**
Revenue Increase						**$6,671**
Average Cost per KGAL (1,000 gallons)				$3.73		$3.97

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

Table 17
Calculation of the Revenues at Present and Proposed Rates
SCHEDULE 6 - City of Veneta
Estimated 12 Months Ended December 31, 2015

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates	Proposed Charge	Proposed Annual Revenue[1]
BASIC CHARGE						
8"	1					
8"	2		$892.24	$21,414	$892.24	$21,414
Total	1			$21,414		$21,414
VOLUME CHARGE						
All KGAL (1,000 gallons)		72,000	$1.277	$91,944	$1.277	$91,944
Total Calculated Revenue				**$113,358**		**$113,358**
Average Cost per KGAL (1,000 gallons)						$1.57

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

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 rate per month, based on the per-inch diameter of the pipe.

The monthly minimum is set at a 4-inch size for customers within the city and is currently $10.28 per month for each inch diameter of pipe with a $41.13 minimum charge. Rates charged to outside City customers are similarly based on the 4-inch size and are $13.09 per month per inch diameter with a $52.36 per month minimum.

In this proposal, management recommends a 3.2% change to fire line rates. Rates for fire lines are contained within the Customer Service Policy & Procedures for General Service Inside and Outside City.

Eugene Water & Electric Board

2015 Proposed BUDGET

December 2, 2014

Eugene Water & Electric Board

500 East 4th Avenue/Post Office Box 10148
Eugene, Oregon 97440-2148
541-685-7000
www.eweb.org

Board of Commissioners

	Ward	Term ends December 31,
John Brown, President	4 & 5	2014
Steve Mital, Vice president	1 & 8	2016
Dick Helgeson	2 & 3	2016
James Manning	6 & 7	2016
John Simpson	At Large	2014

Table of Contents

Board of Commissioners,

***Changes since November Budget Proposal* - None**

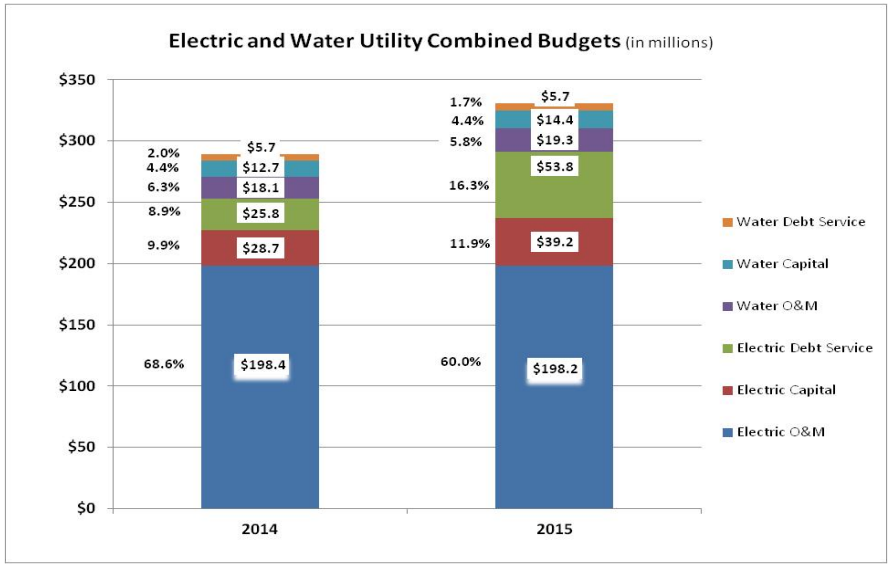
The 2015 Eugene Water & Electric Board Operations & Maintenance (O&M) and Capital proposed budgets totaling $291.3 million for the Electric Utility and $39.4 million for the Water Utility are submitted for your consideration and approval. The combined total for both Utilities is $330.7 million which is 14.3% higher than 2014. The primary reason for the increase is higher Electric Utility debt service costs which will be covered with $28.8 million of designated funds authorized by the Board to pay off the existing Harvest Wind note payable. Adjusting for the use of debt service reserves results in a combined Utility budget that is 4.3% higher than 2014. That increase is mainly due to capital projects funded with previously issued bonds and customer contributions. Included in the budgets are O&M expenses, plant additions, debt service and contributions in lieu of taxes to local governmental agencies.

For the first time in three years, management is not proposing significant budget reductions. As a result of the work performed by the Board, management and staff, both Utilities' long term financial plans demonstrate increased financial stability and a more solid financial outlook. The proposed budgets include critical infrastructure rehabilitation projects and high priority technology projects that are designed to enhance our customers' ability to make informed choices.

After including those high priority items, revenue requirements for the Electric Utility result in no overall average rate (or revenue requirements) change for our customers. Additionally, the Electric Utility's long term financial plan indicates that future revenue requirements should provide for average rate changes which would allow the Utility's average residential bill to be in the middle of regional comparators. While no average rate change is indicated, 2015 specific rate components will be redesigned so that more of the Utility's fixed costs are covered by non-volumetric revenues, further enhancing financial stability as well as customer bill predictability.

The Water Utility revenue requirements result in an overall average rate change of approximately 5%. In 2013, a smoothing methodology for Water future rates was approved to avoid rate spikes when the Water Utility incurs significant expenses to secure an alternate water source. EWEB is the largest municipality in Oregon without a diverse water supply, and the ten-year capital improvement plan includes approximately $67 million to eliminate that risk. Utilizing the rate smoothing technique, the Water Utility's long-term financial plan indicates revenue requirements that result in three more years of 5% overall average rate changes and then four years with a 4% overall average rate change. Even with these changes, the Water Utility's average customer bill is projected to remain below the regional average.

The following chart depicts the combined Electric and Water budgets for 2014 and 2015.



The local economy is showing signs of improvement; however it is still weak which impacts our customers. Electric consumption is expected to remain relatively flat compared to the 2014 budget. EWEB's *Integrated Electric Resource Plan* approved by the Board in 2011 calls for future load growth to be offset by conservation measures which were determined to be the most cost effective and least risky way to meet future electricity load requirements. Accordingly, the Utility does not anticipate significant residential load growth in the future.

The Water Utility's consumption has not rebounded since the loss of its major customer several years ago, and budgeted 2015 consumption is approximately 20% below 2008 levels. However, it did not experience the consumption reduction anticipated due to a higher than average 2013 rate change which was enacted to stabilize the Utility's financial condition, and 2015 budgeted consumption was increased approximately 3% over 2014.

The Electric and Water Utilities' financial challenges are very different. Four years of average or higher than average hydro generation have allowed the Electric Utility to accumulate reserves in excess of Board targets; however increased debt costs for rehabilitation and expansion of infrastructure, as well as renewable power investments, have made achieving debt service coverage targets difficult. To help mitigate this, the 2015 budget is using almost $29 million of reserves to pay off debt. The Water Utility does not have a large debt burden, but since sales have not rebounded, its reserves for the last several years have been below Board targets. With the actions taken by the Board to increase financial stability and consumption increasing the last two years, Water Utility reserves are projected to be within Board targets by the end of 2014.

In an effort to ensure that EWEB's constrained resources are used in alignment with Board and customer priorities and EWEB's overarching strategy "*To Deliver Value for Generations,*" in 2011 EWEB began a multi-year transition to a priority based budgeting (PBB) approach. This process was used in the development of the 2015 budget.

A component of the PBB process is to determine if any budget additions are required to ensure adequate resources are allocated to higher priority functions. A few additions were made in the 2015 budget process including customer facing information technology projects ($950,000), extension of a wind farm warranty ($300,000), and covering higher statutory compliance and utility costs ($325,000). Another component of the PBB process is to only use one-time resources for short-term expenses. The 2015 budget does not include the use of one-time resources.

EWEB continues to be a strong community partner as evidenced by its Community Care Program that was created in response to the economic crisis and provides bill payment assistance for limited income customers. The budget includes $1.4 million for this program. Additionally, EWEB provides over $500,000 in grants to local schools.

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

Electric Utility

Overview

The Electric Utility has surplus power which is sold to other utilities. A continuation of depressed prices for the sale of surplus power has resulted in historically low wholesale revenues. Budgeted wholesale revenue in 2015 is only 30% of the 2008 actual. This, combined with decreased customer demand, requires that the Utility's fixed costs be spread over a smaller base. Additionally, EWEB has invested in renewable power (wind,

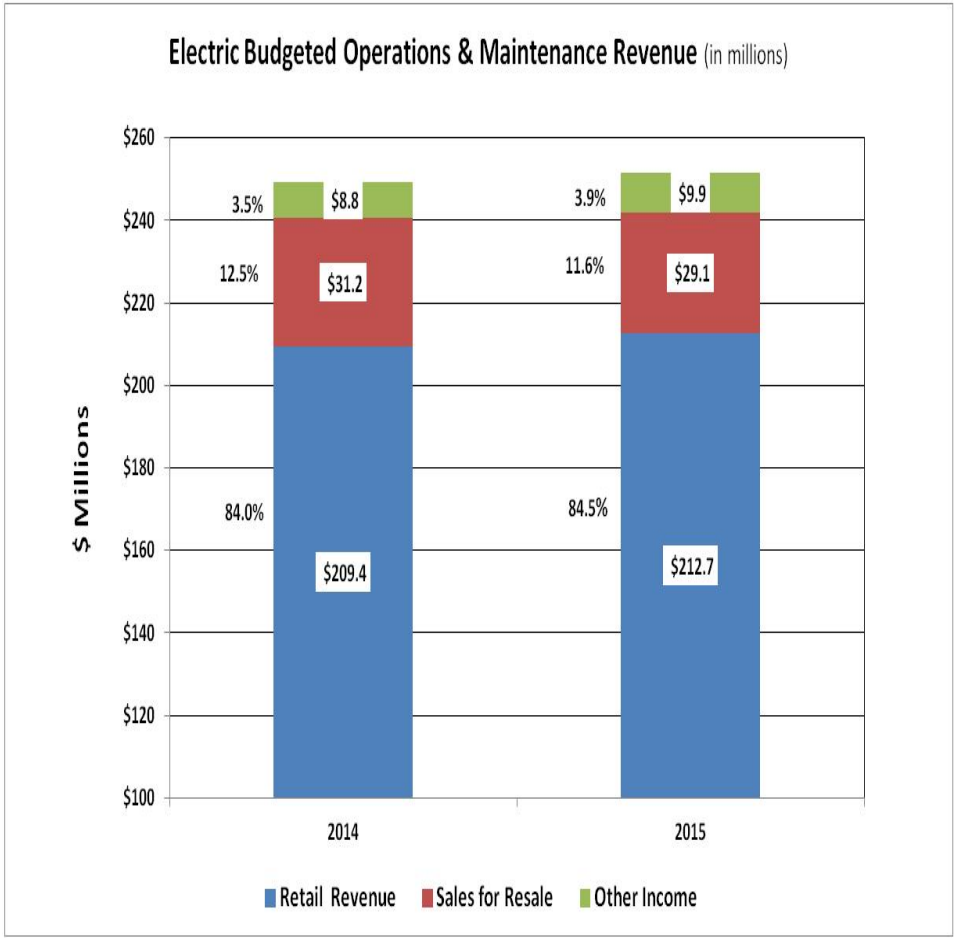
biomass) which is more expensive than the historical hydro generation. Those investments and the bonds issued for infrastructure rehabilitation and replacements have increased debt service payments and put pressure on debt service coverage metrics. To ease pressure when faced with over $40 million in O&M reductions, in June 2013 the Board approved financial policies that lowered the debt service coverage metric to align with a single 'A' rated utility. Subsequent to that, Fitch Rating Agency downgraded the Electric Utility's bond rating from 'AA-' to 'A+'.

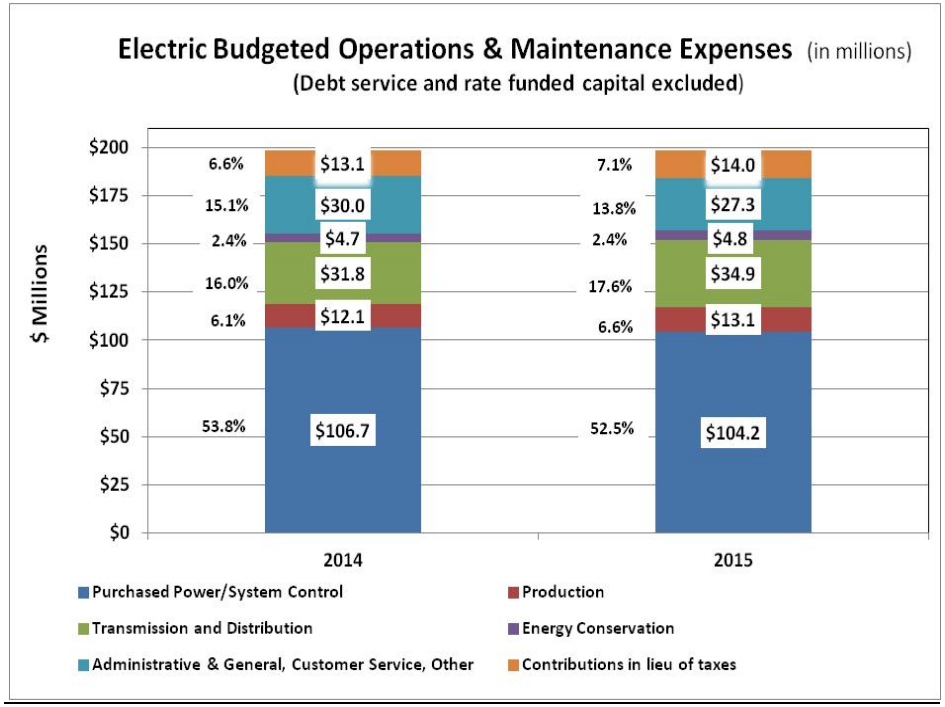
Operations & Maintenance Budget

The 2015 Electric O&M budget is $198.2 million compared to $198.4 million in 2014. The budget assumes hydro generation based on 90% of average stream flow and flat retail consumption of 2.4 million MWh. Retail sales are up $3.3 million due to the combined effect of a full year impact of the February 2014 4% overall average rate increase and shifts in projected usage among customer classes. Other Income is higher primarily due to increased conservation funding from Bonneville Power Administration.

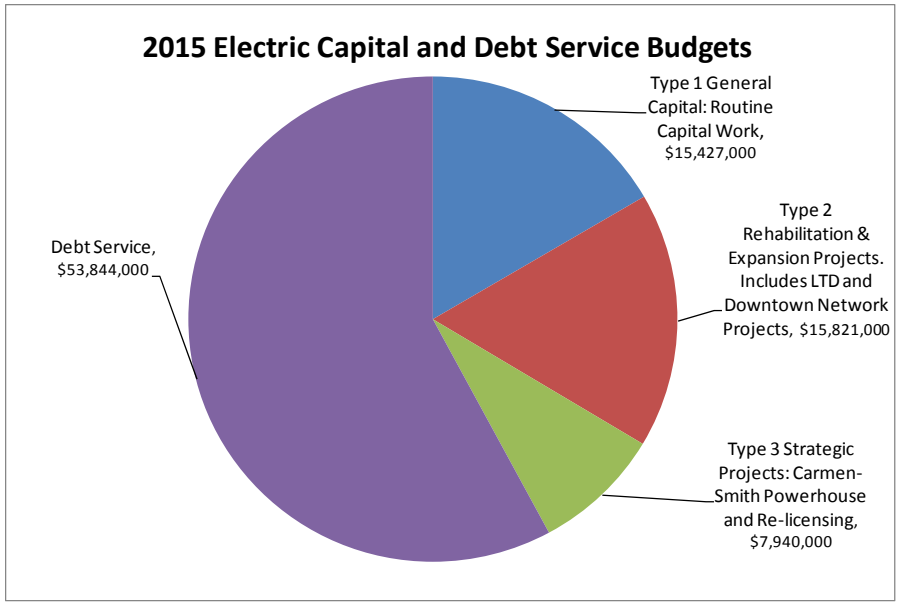
Operating expenses are down $3.5 million primarily due to a change in accounting for purchased power expense and revenues which offset each other. *Administrative & General* expenses (A&G) declined and other expense categories increased approximately $6 million as benefit costs previously consolidated in A&G were budgeted with corresponding wages. A reduction in equity revenues in the *Change in balance sheet accounts/other expenses* category offset the positive operating expense variance. The budget includes a $9.1 million deposit to operating reserves which will allow the Board to make strategic decisions regarding the use of those reserves and further strengthen the Utility's financial position.

The following charts compare the 2015 and 2014 O&M revenue and expense budgets:





The debt service budget increased by $28 million as the Board continues its effort to improve the Electric Utility's financial stability and approved the use of $28 million in reserves to pay down debt. Additional detail on the capital budget is included in Attachment 1.



Capital and Debt Service Budgets

The Electric Capital budget of $39.2 million is $10.4 million higher than 2014 due to increased aging infrastructure replacement at the Carmen-Smith dam powerhouse, other generation facilities, and the downtown network; new Information Technology projects; and a higher level of work on the Lane Transit District (LTD) project. The work to replace aging infrastructure is an effort to maintain, but not improve, reliability. The Carmen-Smith and downtown network projects are funded with previously issued bond proceeds, while the LTD project will be reimbursed by LTD. Approximately $19 million of capital work will be funded with electric rates.

Water Utility

Overview

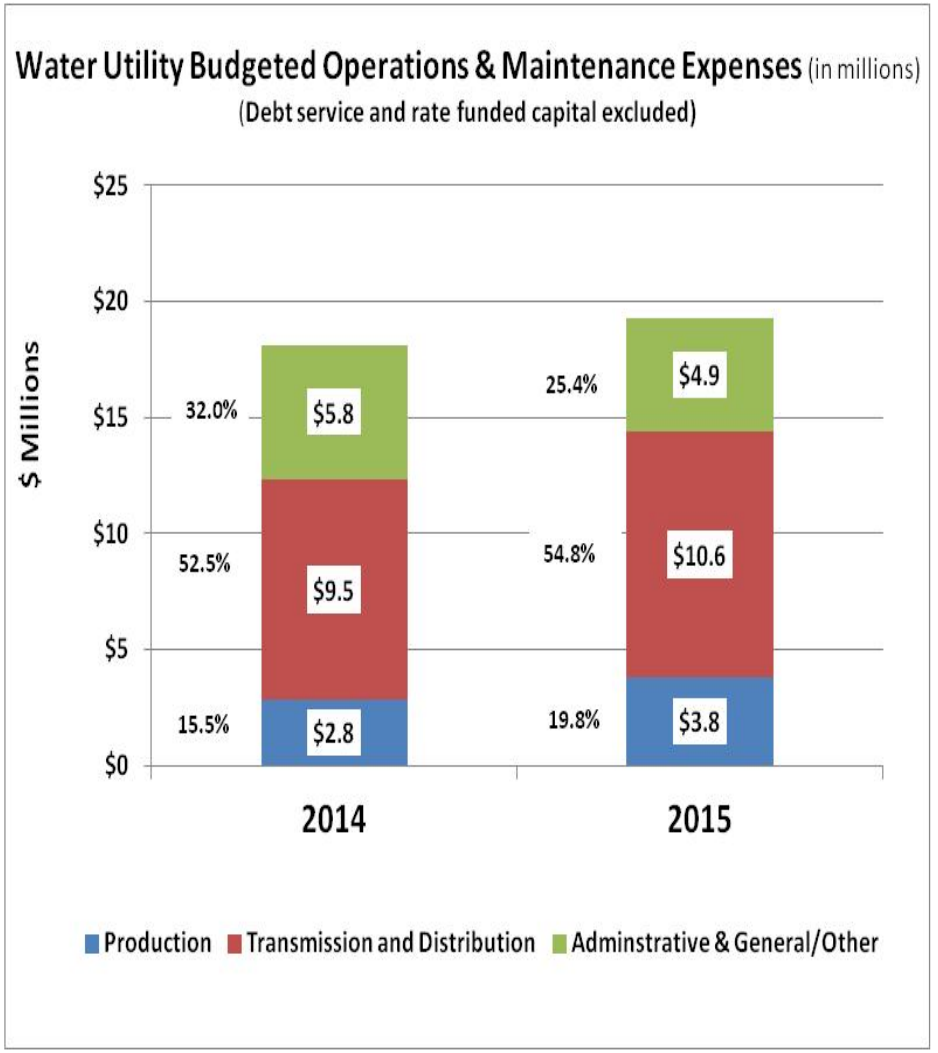
Like many Northwest water utilities, EWEB has experienced declining demand at a time when aging infrastructure needs replacement in order to reliably deliver safe water to customers. The extensive capital required to operate a large filtration plant and maintain about 800 miles of distribution pipes comes with high fixed costs. Fixed costs typically comprise 80-95% of a water utility's expenses. In an effort to increase the Water Utility's financial stability, in 2013 the Board approved a rate design that increased the base charge at a much higher level than volumetric charges. The 2015 rate change continues that strategy with all of the additional revenue requirements being added to monthly charges.

Operations & Maintenance Budget

The 2015 Water Utility O&M budget is $19.3 million compared to $18.1 million in 2014. The $1.2 million increase is primarily due to allocating all employee benefits between the Electric and Water Utilities based on wages and FTE, not a flat percentage. Like the Electric Utility, benefits that used to be budgeted in the *Administrative & General* expense category are now budgeted with the corresponding wages in all operational areas. The combination of these factors is the primary driver for the increases in *Production* and *Transmission and Distribution* expense categories.

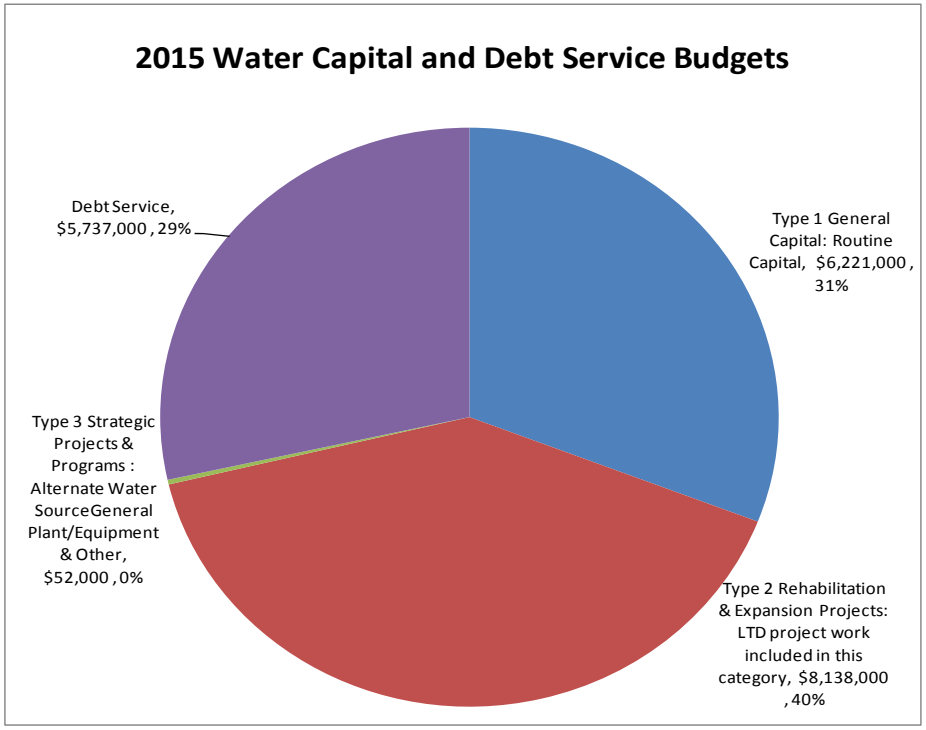
The 2015 budget assumes sales of approximately 7.6 million kgals which is 3% higher than the 2014 budget and approximately 300,000 kgals lower than 2013 actual consumption. Over 95% of Water Utility revenues are derived from sales to customers. To meet the Water Utility revenue requirements, the budget includes an overall average rate increase of approximately 5% which would be effective on bills rendered beginning February 2015. This increase represents less than $2 per month for the average residential customer using 9 kgals.

The budget results in a $2 million reserves deposit which is split between working cash/operating reserves and the alternative water supply fund designated by the Board in 2013. These deposits further stabilize the Water Utility's financial condition. The following chart compares the 2015 and 2014 operations and maintenance expense budgets:



Capital and Debt Service Budgets

The $14.4 million Water Utility Capital budget is $1.7 million higher than 2014 primarily due to work on the LTD project which will be reimbursed by LTD. The budget to replace aging infrastructure is approximately $6.2 million and is typically funded by water rates and customer contributions. In addition to the LTD project, significant projects include transmission and distribution main replacements. The debt service budget is comparable to 2014.



Electric and Water Impacts to Residential Customers

The following chart shows the approximate monthly residential bill change as a result of the rate changes and design used in developing the 2015 budget:

2015 Proposed rate actions - Residential	**Typical apartment** - average monthly consumption of 570 kWh electricity and 3 kgals water	**Typical single family home** –average monthly consumption of 1600 kWh electricity and 9 kgals water
Electric – No rate change. Rate design change only	$2.75	($2.47)
Water – 5.2% February increase	$1.71	$1.71
Total average monthly increase/(decrease)	$4.46	($.76)

The 2015 budgets and rate design changes position both the Electric and Water Utilities to continue their path towards financial stability. The budgets include several high priority items that allow EWEB to better serve our customers and become more flexible to adapt to the constantly changing and uncertain environment we operate in. Our success in delivering value for generations will depend on engaging the community, board, and staff in charting our strategic course for the future. I want to thank EWEB management and staff, Commissioners and the community for their assistance in helping EWEB achieve its mission "To be an outstanding provider of energy and water products that meet customer needs and benefit the citizens of Eugene".

I recommend the adoption of the 2015 Electric and Water Utility budgets presented in Attachment 1.

Respectfully submitted,

Roger Gray

Roger Gray, General Manager

Attachment 1

2015 Proposed Budgets

EUGENE WATER & ELECTRIC BOARD

ELECTRIC UTILITY OPERATIONS & MAINTENANCE BUDGET AND REVENUE REQUIREMENTS

2015 BUDGET COMPARED WITH 2014 BUDGET AND 2013 ACTUAL

	2015 Budget		2014 Budget		2013 Actual	
	MWH	REVENUE	MWH	REVENUE	MWH	REVENUE
Residential	978,041	$ 108,033,000	964,039	$ 104,078,000	980,515	$ 93,466,000
Commercial	869,817	59,103,000	886,538	58,024,000	864,009	55,496,000
Industrial	562,629	45,579,000	562,048	47,290,000	563,871	34,810,000
Retail sales	2,410,487	212,715,000	2,412,625	209,392,000	2,408,395	183,772,000
Wholesale sales [1]	914,758	29,064,000	846,238	31,154,000	1,584,695	54,288,000
Operating revenues	3,325,245	241,779,000	3,258,863	240,546,000	3,993,090	238,060,000
Other revenue		7,963,000		6,889,000		5,676,000
Interest earnings		1,964,000		1,905,000		2,053,000
Non-operating revenues		9,927,000		8,794,000		7,729,000
Total revenues		251,706,000		249,340,000		245,789,000
Purchased power		96,894,000		99,857,000		108,998,000
System control		7,259,000		6,889,000		6,175,000
Steam and hydraulic generation		13,071,000		12,066,000		11,426,000
Wheeling		11,955,000		11,492,000		12,563,000
Transmission & distribution		22,936,000		20,335,000		17,936,000
Customer accounting		9,118,000		8,101,000		9,816,000
Energy conservation		4,842,000		4,673,000		3,680,000
Administrative & general		20,752,000		26,933,000		19,882,000
Operating expenses		186,827,000		190,346,000		190,476,000
Contributions in lieu of taxes		13,978,000		13,078,000		- [2]
Change in balance sheet accounts/ other expenses		(2,632,000)		(5,033,000)		3,585,000
Non-operating expenses		11,346,000		8,045,000		3,585,000
Total operations and maintenance expenses		198,173,000		198,391,000		194,061,000
Rate funded capital		19,334,000		17,800,000		
Rate funded debt service		53,844,000		25,822,000		21,871,000
Total rate funded capital related expenses		73,178,000		43,622,000		21,871,000
Total rate funded expenses		271,351,000		242,013,000		215,932,000
Revenues over/(under) expenses		$ (19,645,000)		$ 7,327,000		$ 29,857,000
Deposit to (Draw on) Reserves:						
Pension fund reserve draw		$ -		$ -		
Harvest Wind Designated Fund		(28,752,000)		-		
Capital Improvement Reserve		-		896,000		
Operating reserves		9,107,000		6,431,000		
Net change in reserves		$ (19,645,000)		$ 7,327,000		
				Net Revenue available for capital and reserves		$ 29,857,000

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

[2] 2013 CILT included as contrarevenue in revenue section

Dollars rounded to the nearest thousand.

EUGENE WATER & ELECTRIC BOARD
ELECTRIC UTILITY CAPITAL AND DEBT SERVICE BUDGET
2015 BUDGET COMPARED WITH 2014 BUDGET

	2015 Budget	2014* Budget
Funding Source by Type		
Source of Funds		
Rate Revenue	$ 19,240,000	$ 16,904,000 [1]
Bond Proceeds	11,940,000	8,482,000
Customer Contributions in Aid	7,914,000	3,244,080
Interest Earnings on Reserve Fund	94,000	100,920
Total Source of Funds	39,188,000	28,731,000
Expenditures by Type		
Type 1- General Capital [2]		
Electric Infrastructure- Generation	1,595,000	649,000
Electric Infrastructure- Substations & Telecom	2,005,000	2,575,000
Electric Infrastructure- Transmission & Distribution	8,145,000	6,677,000
General Plant- Information Technology	1,797,000	851,000
General Plant- Buildings & Land	685,000	482,000
General Plant- Fleet	1,200,000	981,000
Total Type 1	15,427,000	12,215,000
Type 2- Rehabilitation & Expansion Projects [3]		
Downtown Network	4,000,000	3,524,000
LTD EmX Project	5,477,000	4,250,000
Generation	200,000	-
Upriver Re-Configuration/ Holden Creek Substation	1,500,000	750,000
Information Technology	4,644,000	3,355,000
Leaburg Roll Gate #2	-	1,186,000
Buildings & Land	-	219,000
Total Type 2	15,821,000	13,284,000
Type 3- Strategic Projects & Programs [4]		
Carmen Smith Re-License	7,940,000	3,232,000
Total Type 3	7,940,000	3,232,000
Total Electric Capital Budget	39,188,000	28,731,000
Rate Funded Debt Service	53,844,000	25,822,000
Total Electric Capital and Debt Service Budget	$ 93,032,000	$ 54,553,000

[1] $896,000 of rate funding deposited into Capital Improvement Reserve.

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

[3] 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.

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

*Capital Expenditures re-categorized for 2015 budget. For 2014, categorical expenses estimated.

Dollars rounded to the nearest thousand.

EUGENE WATER & ELECTRIC BOARD

WATER UTILITY OPERATIONS & MAINTENANCE BUDGET AND REVENUE REQUIREMENTS

2015 BUDGET COMPARED WITH 2014 BUDGET AND 2013 ACTUAL

	2015 Budget		2014 Budget		2013 Actual	
	Gal (000)	REVENUE	Gal (000)	REVENUE	Gal (000)	REVENUE
Residential/Water Districts	4,412,000	$ 21,795,000	4,257,000	$ 19,888,000	4,700,384	$ 18,563,000
Commercial	3,196,000	12,341,000	3,182,000	12,539,000	3,329,927	14,020,000
Operating revenues	7,608,000	34,136,000	7,439,000	32,427,000	8,030,311	32,583,000
Other revenue		1,040,000		1,236,000		956,000
Interest income		106,000		65,000		-
Non-operating revenues		1,146,000		1,301,000		956,000
Total revenues		35,282,000		33,728,000		33,539,000
Production		3,812,000		2,830,000		3,063,000
Transmission & distribution		10,575,000		9,512,000		7,840,000
Customer accounting		1,868,000		1,669,000		1,415,000
Conservation		199,000		239,000		213,000
Administrative & general		3,102,000		3,933,000		4,194,000
Operating expenses		19,556,000		18,183,000		16,725,000
Change in balance sheet accounts		(273,000)		(53,000)		
Total operations and maintenance expenses		19,283,000		18,130,000		
Rate funded capital		8,155,000		6,390,000		
Rate funded debt service		5,737,000		5,697,000		3,528,000
Total rate funded capital related expenses		13,892,000		12,087,000		
Total rate funded expenses		33,175,000		30,217,000		
Revenues over expenses		$ 2,107,000		$ 3,511,000		
Deposit to Alternative Water Supply Fund		$ 1,000,000		$ 802,000		
Deposit to Working Cash/Reserves		1,107,000		2,709,000		
Net change in reserves		$ 2,107,000		$ 3,511,000		
				Net revenue available for capital, working cash and reserves		$ 13,286,000

Dollars rounded to nearest thousand.

EUGENE WATER & ELECTRIC BOARD
WATER UTILITY CAPITAL AND DEBT SERVICE BUDGET
2015 BUDGET COMPARED WITH 2014 BUDGET

	2015 Budget	2014* Budget
Funding Source by Type		
Source of Funds		
Rate Revenue	$ 8,155,000	$ 6,390,000
Bond Proceeds	1,968,000	5,166,000
Customer Contributions in Aid	3,824,000	772,000
System Development Charges	464,000	400,000
Total Source of Funds	14,411,000	12,728,000
Expenditures by Type		
Type 1 - General Capital [1]		
Source - Water intakes & Filtration Plant	292,000	156,000
Distribution & Pipe Services	4,691,000	6,201,000
Distribution Facilities	376,000	495,000
Information Technology	335,000	766,000
Buildings, Land & Fleet	527,000	-
Total Type 1	6,221,000	7,618,000
Type 2- Rehabilitation & Expansion Projects [2]		
Source - Water intakes & Filtration Plant	2,419,000	3,410,000
Distribution & Pipe Services	3,103,000	1,700,000
Distribution Facilities	1,802,000	-
Information Technology	814,000	-
Total Type 2	8,138,000	5,110,000
Type 3- Strategic Projects & Programs [3]		
Alternative Water Supply	52,000	-
Total Type 3	52,000	-
Total Water Capital Budget	14,411,000	12,728,000
Rate Funded Debt Service	5,737,000	5,697,000
Total Water Capital and Debt Service Budget	$ 20,148,000	$ 18,425,000

[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.

*Capital Expenditures re-categorized for 2015 budget. For 2014, categorical expenses estimated.

Dollars rounded to nearest thousand.

Attachment 2

Division Operations & Maintenance
2015 Budget Compared to Prior Years

Eugene Water & Electric Board- Operations & Maintenance Budget

Summary by Division

Description	2015 Proposed Budget		2014 Approved Budget		2013 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Customer Service	76.85	$ 11,355,772	73.35	$ 9,294,225	70.00	$ 10,598,921
Electric Transmission & Distribution Operations	89.50	17,474,861	90.00	15,975,929	96.00	14,335,437
Energy Management Services	14.00	4,650,670	14.00	4,326,031	19.00	2,983,130
Engineering	58.65	10,972,801	57.65	9,487,701	62.55	9,543,958
Environmental Management	15.00	3,606,906	15.00	3,844,815	12.00	2,775,244
Finance	28.73	6,097,176	30.15	5,302,603	29.65	5,257,772
Fleet Services [1]	10.00	2,921,427	10.00	2,705,298	11.00	2,656,854
General Manager	3.00	763,227	4.00	938,538	8.00	1,140,424
Generation	19.00	6,605,844	20.50	6,243,116	21.00	4,879,834
Human Resources	12.00	2,454,912	12.50	2,280,053	12.25	2,112,638
Information Services	69.00	12,104,904	68.00	11,131,128	66.00	9,727,954
Power Resources and Strategic Planning	12.00	2,823,719	12.00	2,657,460	13.00	2,415,228
Public Affairs	9.60	2,670,540	10.00	2,440,416	10.00	2,054,626
Trading and Power Operations [2]	15.00	129,669,609	15.00	138,521,402	16.00	144,239,820
Warehouse and Building Operations [3]	14.00	4,228,913	14.00	4,050,233	13.00	3,258,370
Water Operations	77.05	12,208,671	76.25	$10,980,745	78.25	10,495,084
	523.38	**$ 230,609,952**	**522.40**	**$ 230,179,691**	**537.70**	**$ 228,475,294**

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

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

[2] Trading and Power Operations includes certain expenses for trading activity netted out of the Electric Utility Operations & Maintenance budget in Attachment 1.

[3] Functional area is part of the Electric division.

Note: Excludes organization- wide expenses

Customer Service

Operations & Maintenance Budget

Category		2015 Proposed Budget			2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars		FTE*	Dollars	FTE*	Dollars
Wages / Benefits								
	Wages / Benefits	76.85	$6,909,812	[1]	73.35	$5,299,207	70.00	$5,284,767
Purchases								
	Equipment		$500			$500		$4,226
	EWEB Equipment		$196,068			$189,824		$157,705
	Materials and Supplies		$80,803			$78,733		$63,977
	Stores Materials and Supplies		$18,500			$21,500		$37,977
	Technology / Office Equipment		$40,900			$41,100		$44,576
Services								
	Contract Labor		$89,050			$76,050		$144,780
	Fees and Licenses		$100			$100		$3,886
	Grants		$0			$0		$75,000
	Legal Services		$11,800			$11,500		$9,122
	Low Income Services		$1,265,436			$1,141,820		$2,690,924
	Management Consultants		$380,598	[2]		$121,011		$121,575
	Miscellaneous Services		$873,526			$874,301		$610,576
	Printing and Postage		$334,249			$367,249		$285,346
	Software/Hardware Maintenance		$296,100			$332,100		$274,610
	Training and Travel		$58,330			$58,230		$33,521
	Uncollectable Accounts		$800,000			$681,000		$756,354
Total			$11,355,772			$9,294,225		$10,598,921

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/ benefits.
[2] Increase due to system upgrade & replacement projects

Electric Transmission & Distribution Operations

Operations & Maintenance Budget

Category		2015 Proposed Budget		2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	89.50	$11,660,117 [1]	90.00	$10,647,135	96.00	$8,585,829
Purchases							
	Buildings		$0		$0		$18,188
	Energy		$0		$0		$1,791
	Equipment		$16,600		$20,600		$23,549
	EWEB Equipment		$1,184,836		$1,107,896		$1,361,573
	Fuels		$0		$0		$12,155
	Landscaping		$4,000		$97,447		$12,839
	Materials and Supplies		$446,365 [2]		$330,619		$352,283
	Stores Materials and Supplies		$413,800 [3]		$281,475		$419,431
	Technology / Office Equipment		$59,567		$63,495		$135,605
	Vehicle Fuel and Oil		$0		$0		$1,648
	Water		$19,799		$19,798		$27,395
Services							
	Construction Agreements		$600		$48,000		$25,539
	Contract Labor		$65,100		($41,875)		$6,816
	Fees and Licenses		$300		$0		$1,960
	Flagging		$123,000		$100,000		$131,438
	Grants		$0		$0		$1,250
	Management Consultants		$0		$25,000		$8,525
	Miscellaneous Services		$366,794 [4]		$180,946		$354,754
	Printing and Postage		$2,000		$4,000		$438
	Property Rent		$25,000		$100,000		$0
	Software/Hardware Maintenance		$104,164		$77,797		$136,621
	Training and Travel		$208,950		$202,249		$137,684
	Tree Trimming		$2,773,869		$2,711,347		$2,578,128
Total			$17,474,861		$15,975,929		$14,335,437

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/ benefits.

[2] Increased meter installation activity.

[3] Budget increased to reflect operational levels from prior years.

[4] Includes costs for new high volume outage call support system.

Energy Management Services

Operations & Maintenance Budget

Category		2015 Proposed Budget		2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	14.00	$1,734,419 [1]	14.00	$1,460,383	19.00	$1,377,732
Purchases							
	Equipment		$0		$13,813		$2
	EWEB Equipment		$44,905		$53,112		$50,851
	Materials and Supplies		$9,600		$12,450		$12,423
	Stores Materials and Supplies		$0		$500		$4,998
	Technology / Office Equipment		$5,350		$12,075		$4,160
Services							
	Conservation Measures		$2,674,296		$2,520,948		$1,152,873 [2]
	Construction Agreements		$0		$0		$1,339
	Contract Labor		$26,000		$0		$31,297
	Fees and Licenses		$3,100		$1,600		$965
	Grants		$5,000		$5,000		$192,996
	Legal Services		$4,000		$9,000		$5,574
	Management Consultants		$31,200		$79,100		$6,766
	Miscellaneous Services		$63,250		$111,150		$112,565
	Printing and Postage		$13,050		$7,600		$8,140
	Software/Hardware Maintenance		$0		$100		$7,946
	Training and Travel		$36,500		$39,200		$12,503
Total			$4,650,670		$4,326,031		$2,983,130

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/ benefits.

[2] In 2013, Conservation program was suspended mid-year and expenditures reflect less than 50% of budget.

Engineering

Operations & Maintenance Budget

Category		2015 Proposed Budget			2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars		FTE*	Dollars	FTE*	Dollars
Wages / Benefits								
	Wages / Benefits	58.65	$5,664,873	1	57.65	$4,593,082	62.55	$4,629,205
Purchases								
	Energy		$0			$0		$4,711
	Equipment		$44,200			$35,958		$18,815
	EWEB Equipment		$107,206			$88,826		$114,908
	Fuels		$0			$0		$199
	Land and Land Rights		$60,000			$65,000		$37,995
	Materials and Supplies		$101,260			$57,750		$41,471
	Stores Materials and Supplies		$2,200			$200		($5,430)
	Technology / Office Equipment		$265,117	2		$79,270		$147,598
	Vehicle Fuel and Oil		$0			$0		$3,000
Services								
	Conservation Measures		$0			$0		$402,114
	Construction Agreements		$2,673,063	3		$2,260,880		$1,773,354
	Contract Labor		$26,000			$106,142		$85
	Fees and Licenses		$589,175	4		$479,130		$301,951
	Flagging		$0			$4,000		$0
	Insurance		$0			$0		$20,052
	Legal Services		$5,000			$30,000		$4,936
	Low Income Services		$0			$0		$2,481
	Management Consultants		$580,000	5		$1,110,700		$387,013
	Miscellaneous Services		$373,683	2		$131,883		$202,931
	Printing and Postage		$100			$0		$1,661
	Property Rent		$220,100			$174,000		$971,044
	Software/hardware Maintenance and		$66,254			$91,450		$104,222
	Training and Travel		$193,570			$179,430		$142,279
	Tree Trimming		$1,000			$0		$0
	Wheeling		$0			$0		$237,362
Total			$10,972,801			$9,487,701		$9,543,958

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/ benefits.

[2] Increase due to Telecom budget consolidated to Engineering Division.

[3] Increase due to extended Harvest Wind turbine warranty and Electric Master plan work.

[4] Increase due to NERC (North American Electric Reliability Corporation) compliance fee.

[5] Decrease due to Water Masterplan work completed in 2014.

Environmental Management

Operations & Maintenance Budget

Category		2015 Proposed Budget		2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	15.00	$1,917,258 [1]	15.00	$1,483,427	12.00	$1,537,298
Purchases							
	Equipment		$5,700		$7,700		$36,994
	EWEB Equipment		$39,049		$37,722		$29,687
	Fuels		$0		$0		$116
	Land and Land Rights		$0		$0		$300
	Landscaping		$12,500		$10,000		$126,443
	Materials and Supplies		$65,829		$53,055		$23,654
	Stores Materials and Supplies		$0		$0		$387
	Technology / Office Equipment		$10,900		$10,700		$5,033
	Vehicle Fuel and Oil		$0		$0		$151
Services							
	Construction Agreements		$305,600		$394,000		$132,178
	Contract Labor		$7,000		$30,000		$13,574
	Fees and Licenses		$32,000		$14,500		$13,472
	Grants		$84,300		$49,300		$60,435
	Legal Services		$115,000		$115,000		$55,283
	Management Consultants		$514,875 [2]		$727,675		$509,357
	Miscellaneous Services		$454,270 [2]		$106,870		$128,760
	Printing and Postage		$1,000		$3,000		$3,196
	Property Rent		$0 [3]		$764,998		$64,644
	Software/Hardware Maintenance and		$0		$4,000		$300
	Training and Travel		$41,625		$32,868		$33,983
Total			$3,606,906		$3,844,815		$2,775,244

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

[2] Manufactured Coal Gas Plant Site expense budget moved from Management Consultants category to Miscellaneous Services.

[3] Intercompany lease for Roosevelt Operations Center is now budgeted with organization wide transactions.

Finance

Operations & Maintenance Budget

Category		2015 Proposed Budget		2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	28.73	$4,066,541 [1]	30.15	$3,342,738	29.65	$3,436,622
Purchases							
	EWEB Equipment		$8,880		$8,880		$4,121
	Materials and Supplies		$32,400		$26,620		$34,894
	Stores Materials and Supplies		$0		$50		$667
	Technology / Office Equipment		$8,700		$10,200		$6,248
	Vehicle Fuel and Oil		$0		$0		$48
Services							
	Contract Labor		$27,128		$102,350		$11,666
	Fees and Licenses		$198,426 [2]		$3,000		$2,745
	Insurance		$730,896		$730,896		$778,850
	Legal Services		$171,167		$171,167		$229,211
	Management Consultants		$347,125		$268,217		$508,043
	Miscellaneous Services		$54,900		$58,740		$78,311
	Printing and Postage		$0		$50		$1,269
	Software/Hardware Maintenance		$360,606		$490,944		$118,575
	Training and Travel		$90,407		$88,750		$46,501
Total			$6,097,176		$5,302,603		$5,257,772

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/ benefits.

[2] Increase represents Oregon Department of Energy revenue tax previously budgeted in Power Resources & Strategic Planning Division.

Fleet Services

Operations & Maintenance Budget

Category		2015 Proposed Budget		2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	10.00	$1,333,770 [1]	10.00	$1,133,751	11.00	$1,130,703
Purchases							
	Equipment		$0		$0		$2,288
	EWEB Equipment		$500		$3,497		$6,716
	Fuels		$40,000		$40,000		$42,879
	Materials and Supplies		$759,957		$735,400		$811,677
	Stores Materials and Supplies		$4,000		$4,000		$1,424
	Technology / Office Equipment		$5,500		$5,500		$3,738
	Vehicle Fuel and Oil		$638,800		$638,750		$527,289
Services							
	Contract Labor		$10,000		$10,000		$6,339
	Fees and Licenses		$2,000		$2,000		$3,121
	Miscellaneous Services		$108,600		$109,400		$101,241
	Printing and Postage		$1,000		$1,000		$286
	Software/Hardware Maintenance		$1,300		$13,000		$9,550
	Training and Travel		$16,000		$9,000		$9,603
Total			$2,921,427		$2,705,298		$2,656,854

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/ benefits.

General Manager

Operations & Maintenance Budget

Category		2015 Proposed Budget		2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	3.00	$568,351 [1]	4.00	$679,709	8.00	$919,379
Purchases							
	EWEB Equipment		$2,438		$2,438		$2,088
	Materials and Supplies		$38,028		$34,601		$10,793
	Stores Materials and Supplies		$0		$0		$400
	Technology / Office Equipment		$11,600		$16,100		$11,220
Services							
	Construction Agreements		$0		$0		$264
	Contract Labor		$0		$0		$161
	Grants		$0		$0		$10,090
	Legal Services		$0		$0		$662
	Management Consultants		$0 [2]		$80,000		$26,351
	Miscellaneous Services		$56,810 [2]		$82,590		$71,046
	Printing and Postage		$0		$0		$491
	Software/Hardware Maintenance		$0		$0		$18,446
	Training and Travel		$86,000		$43,100		$69,032
Total			$763,227		$938,538		$1,140,424

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/ benefits.

[2] Reduction represents meter data management work transferred to Power Resources & Strategic Planning Division.

Generation

Operations & Maintenance Budget

Category		2015 Proposed Budget		2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	19.00	$3,072,255 [1]	20.50	$2,632,164	21.00	$2,766,700
Purchases							
	Energy		$218,000		$220,000		$201,012
	Equipment		$141,800		$145,500		$21,347
	EWEB Equipment		$496,159		$484,809		$502,871
	Fuels		$500		$1,500		$12,041
	Landscaping		$8,250		$3,250		$2,784
	Materials and Supplies		$199,390		$200,400		$117,902
	Stores Materials and Supplies		$4,500		$4,500		$4,100
	Technology / Office Equipment		$22,300		$20,240		$55,877
	Vehicle Fuel and Oil		$500		$500		$0
Services							
	Construction Agreements		$1,481,793		$1,469,550		$665,960
	Contract Labor		$0		$15,000		$27,003
	Fees and Licenses		$465,000		$475,341		$279,215
	Insurance		$15,000		$17,590		$0
	Legal Services		$7,450		$1,500		$3,094
	Management Consultants		$5,500		$45,500		$55,334
	Miscellaneous Services		$88,300		$119,899		$117,163
	Software/Hardware Maintenance		$1,700		$0		$76
	Training and Travel		$72,447		$78,300		$47,073
	Tree Trimming		$0		$0		$284
	Wheeling		$305,000		$307,573		$0
Total			$6,605,844		$6,243,116		$4,879,834

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/ benefits.

Human Resources

Operations & Maintenance Budget

Category		2015 Proposed Budget		2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	12.00	$1,702,018 [1]	12.50	$1,464,309	12.25	$1,476,081
Purchases							
	Equipment		$30,000		$8,700		$1,684
	EWEB Equipment		$8,561		$8,561		$2,624
	Fuels		$0		$0		$39
	Materials and Supplies		$78,309		$99,200		$40,237
	Stores Materials and Supplies		$0		$0		$328
	Technology / Office Equipment		$20,938		$18,500		$19,714
Services							
	Contract Labor		$5,000		$10,000		$17,174
	Legal Services		$181,713		$128,500		$142,810
	Management Consultants		$124,570		$147,990		$104,844
	Miscellaneous Services		$176,472		$201,823		$108,907
	Printing and Postage		$3,382		$3,300		$83
	Software/Hardware Maintenance		$59,784		$72,570		$75,499
	Training and Travel		$64,165		$116,600		$122,614
Total			$2,454,912		$2,280,053		$2,112,638

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits.

Information Services

Operations & Maintenance Budget

Category		2015 Proposed Budget		2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	69.00	$8,416,737 [1]	68.00	$7,418,505	66.00	$6,201,743
Purchases							
	Equipment		$12,000		$12,000		$5,290
	EWEB Equipment		$21,087		$20,492		$22,068
	Materials and Supplies		$42,700		$46,450		$28,222
	Stores Materials and Supplies		$500		$2,000		$319
	Technology / Office Equipment		$237,997		$265,591		$350,296
Services							
	Construction Agreements		$26,332		$16,332		$1,655
	Contract Labor		$57,000 [2]		$210,464		$335,555
	Fees and Licenses		$5,760		$5,760		$344
	Legal Services		$0		$0		$8
	Management Consultants		$117,000		$37,075		$299,434
	Miscellaneous Services		$556,983 [3]		$447,536		$380,631
	Printing and Postage		$30,500		$80,500		$112
	Software/Hardware Maintenance		$2,342,725		$2,385,574		$1,894,313
	Training and Travel		$237,583		$182,849		$207,964
Total			$12,104,904		$11,131,128		$9,727,954

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/benefits. All years FTE figures included Physical Security Officers.

[2] Decrease due to completion of major projects in 2014.

[3] Increase due to new enterprise system replacement projects.

Power Resources and Strategic Planning

Operations & Maintenance Budget

Category		2015 Proposed Budget		2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	12.00	$1,906,607 [1]	12.00	$1,539,587	13.00	$1,492,928
Purchases							
	Energy		$0		$0		$56,085
	Equipment		$0 [2]		$120,000		$0
	EWEB Equipment		$4,996		$4,996		$2,255
	Materials and Supplies		$96,700		$65,900		$22,867
	Technology / Office Equipment		$9,250		$16,000		$3,246
Services							
	Construction Agreements		$0		$30,100		$2,965
	Contract Labor		$27,650		$46,410		$28,332
	Fees and Licenses		$0 [3]		$160,000		$176,115
	Legal Services		$126,000		$126,000		$65,256
	Management Consultants		$197,639 [4]		$90,000		$65,063
	Miscellaneous Services		$296,327		$306,967		$313,896
	Printing and Postage		$0		$0		$152
	Software/Hardware Maintenance		$103,050		$100,000		$100,103
	Training and Travel		$55,500		$51,500		$85,965
Total			$2,823,719		$2,657,460		$2,415,228

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/ benefits.

[2] 2014 budget for purchase of equipment for time of use pilot program.

[3] Gross revenue tax transferred to Financial Services Division.

[4] Increase represents meter data management work transferred from General Manager Division.

Public Affairs

Operations & Maintenance Budget

Category		2015 Proposed Budget			2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars		FTE*	Dollars	FTE*	Dollars
Wages / Benefits								
	Wages / Benefits	9.60	$1,411,608	[1]	10.00	$1,260,933	10.00	$1,200,530
Purchases								
	EWEB Equipment		$1,508			$1,508		$599
	Materials and Supplies		$28,750			$20,980		$9,933
	Stores Materials and Supplies		$0			$0		$1,485
	Technology / Office Equipment		$19,000			$17,750		$951
Services								
	Contract Labor		$10,000			$10,000		$402
	Grants		$848,000	[2]		$325,000		$77,104
	Management Consultants		$40,000	[3]		$0		$3,815
	Miscellaneous Services		$237,674	[2]		$745,105		$681,287
	Printing and Postage		$40,000			$31,800		$47,876
	Software/Hardware Maintenance		$5,000			$0		$6
	Training and Travel		$29,000			$27,340		$30,638
Total			$2,670,540			$2,440,416		$2,054,626

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/ benefits.
[2] Increase in grants and decrease in Miscellaneous Services due to reclassification.
[3] Increase due to transfer of survey cost from Miscellaneous Services.

Trading and Power Operations

Operations & Maintenance Budget

Category		2015 Proposed Budget		2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	15.00	$2,918,326 [1]	15.00	$2,498,415	16.00	$2,280,880
Purchases							
	Energy		$113,978,870 [2]		$123,261,543		$126,348,969
	EWEB Equipment		$0		$0		$184
	Fuels		$1,707,099		$1,711,188		$1,769,689
	Materials and Supplies		$3,000		$3,000		$1,854
	Technology / Office Equipment		$11,700		$11,700		$127,753
Services							
	Construction Agreements		$0		$0		$786,630
	Contract Labor		$0		$0		$2,522
	Fees and Licenses		$0		$0		$8,621
	Generation Incentives		$0		$0		$209,472
	Legal Services		$50,000 [3]		$450,000		$155,471
	Management Consultants		$10,400		$19,400		$0
	Miscellaneous Services		$14,772		$7,772		$26,719
	Printing and Postage		$0		$0		$22
	Software/Hardware Maintenance		$604,526		$597,620		$351,567
	Training and Travel		$32,000		$30,000		$44,309
	Wheeling		$10,338,916		$9,930,764		$12,125,159
Total			$129,669,609		$138,521,402		$144,239,820

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/ benefits.
[2] 2015 budget reflects a change in the mark to market budget assumption. There is a corresponding decrease in 2015 budgeted revenue.
[3] 2014 budget higher due to potential power contract litigation.

Warehouse and Building Operations

Operations & Maintenance Budget

Category		2015 Proposed Budget		2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	14.00	$1,458,534 [1]	14.00	$1,305,985	13.00	$1,111,977
Purchases							
	Energy		$460,000		$400,000		$369,171
	EWEB Equipment		$184,579		$161,566		$110,063
	Fuels		$180,000		$125,000		$83,558
	Landscaping		$1,000		$0		$0
	Materials and Supplies		$199,800		$226,100		$122,899
	Stores Materials and Supplies		$4,800		$1,000		$1,898
	Technology / Office Equipment		$17,400		$10,000		$46,606
	Water		$400,000 [2]		$150,000		$317,875
Services							
	Construction Agreements		$590,000		$750,000		$360,070
	Contract Labor		$0		$35,000		$1,000
	Fees and Licenses		$5,000		$5,000		$5,278
	Management Consultants		$0		$0		$18,800
	Miscellaneous Services		$676,800		$828,882		$665,155
	Software/Hardware Maintenance		$33,000		$38,000		$28,384
	Training and Travel		$18,000		$13,700		$15,636
Total			**$4,228,913**		**$4,050,233**		**$3,258,370**

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/ benefits.

[2] Vehicle wash system switched to potable water due to inadequate water supply with closed loop system. New water fill station installed.

Water Operations

Operations & Maintenance Budget

Category		2015 Proposed Budget		2014 Approved Budget		2013 Actual	
	Resource	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits							
	Wages / Benefits	77.05	$8,089,980 [1]	76.25	$7,014,876	78.25	$6,579,145
Purchases							
	Buildings		$10,000		$5,000		$11,165
	Energy		$946,500		$892,440		$955,393
	Equipment		$99,470		$67,748		$56,484
	EWEB Equipment		$648,967		$562,185		$790,845
	Fuels		$1,500		$2,300		$4,204
	Landscaping		$6,000		$7,000		$6,627
	Materials and Supplies		$710,944		$759,704		$705,295
	Stores Materials and Supplies		$315,974		$373,755		$491,011
	Technology / Office Equipment		$63,197		$56,607		$38,460
	Vehicle Fuel and Oil		$1,200		$0		$1,331
Services							
	Conservation Measures		$37,200		$15,000		$7,050
	Construction Agreements		$556,860 [2]		$269,438		$320,107
	Contract Labor		$173,750		$275,578		$78,024
	Fees and Licenses		$91,985		$144,750		$83,277
	Flagging		$23,000		$3,000		$28,615
	Generation Incentives		$0		$0		$78
	Legal Services		$0		$0		$801
	Low Income Services		$10,000		$10,000		$7,424
	Management Consultants		$15,000		$3,000		$0
	Miscellaneous Services		$220,027		$334,630		$246,397
	Printing and Postage		$10,700		$10,600		$7,134
	Software/Hardware Maintenance		$44,500		$44,000		$10,423
	Training and Travel		$131,917		$129,133		$65,795
Total			**$12,208,671**		**$10,980,745**		**$10,495,084**

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

[1] In 2015, Public Employee Retirement and Post Retirement Medical Unfunded Actuarial Liabilities are included in wages/ benefits.

[2] Change due to reclassification of budget from Miscellaneous Services and Contract Labor to Construction Agreements.

Attachment 3

Labor and Employee Benefit Costs

EUGENE WATER & ELECTRIC BOARD
LABOR AND EMPLOYEE BENEFITS
2015 BUDGET COMPARED TO 2014 BUDGET AND 2013 ACTUAL

	2015		2014		2013	
Wages & benefits [1]	**Budget**	**% of Total wages**	**Budget**	**% of Total wages**	**Actual**	**% of Total wages**
Regular Wages	$ 42,537,000	96.0	$ 42,014,000	94.9	$ 40,510,000	95.2
Overtime	1,785,000	4.0	2,240,000	5.1	2,047,000	4.8
Total wages	44,322,000	100%	44,254,000	100%	42,557,000	100%
Public employees retirement fund	15,418,000	34.8	14,408,000	32.6	11,837,000	27.8
Social security/medicare tax	3,410,000	7.7	3,482,000	7.9	3,071,000	7.2
Health insurance [2]	8,140,000	18.4	7,245,000	16.4	7,221,000	17.0
Post-retirement medical	1,761,000	4.0	1,806,000	4.1	8,538,000 [3]	20.1
Long-term disability	287,000	0.6	214,000	0.5	253,000	0.6
Life insurance	393,000	0.9	389,000	0.9	343,000	0.8
Unemployment insurance	101,000	0.2	100,000	0.2	188,000	0.4
Workers' compensation insurance	422,000	1.0	420,000	0.9	433,000	1.0
Total benefits	29,932,000	67.5	28,064,000	63.4	31,884,000	74.9
Total wages & benefits	$ 74,254,000		$ 72,318,000		$ 74,441,000	

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

[2] Voluntary Employee's Beneficiary Association (VEBA) expense included.

[3] Includes a $7 million one-time deposit to the OPEB Trust.

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	12/31/14 Projected [1]	12/31/15 Projected [2]	Target	12/31/14 Projected [1]	12/31/15 Projected [2]
Reserves:						
Operating and Self Insurance	$ 3,700	$ 5,400	$ 5,400	$ 1,280	$ 1,100	$ 1,100
Power Operating	23,200	23,400	23,400			
Capital Improvement[3]	7,500- 18,000	15,300	15,300	3,500-7,000	3,900	3,900
Total Reserves	34,400-44,900	44,100	44,100	4,780-8,280	5,000	5,000
Board Designated Funds:[4]						
Unallocated Power Fund		6,600	6,600			
Carmen Smith Funds		15,700	7,800			
Harvest Wind Reserve		27,000	-			
Economic Development Loans		1,900	1,900			
Water Stewardship Fund - Septic Repairs					100	100
Alternative Water Supply					1,100	2,100
Pension and Medical Funds[5]		8,400	8,400		1,000	1,000
Total Designated Funds		59,600	24,700		2,200	3,200
Working Cash	24,000	30,600	41,900	3,400	8,100	9,200
Total Working Cash and Unrestricted Funds	$58,400-$68,900	$ 134,300	$ 110,700	$8,180-$11,680	$ 15,300	$ 17,400
Legally Restricted:						
Bond Funds - Capital		$ 25,000	$ 19,300		$ 4,000	$ 63
System Development Charge Reserves					600	600
Reserves for Debt Service		19,000	19,700		1,200	2,300
Total Restricted Funds		$ 44,000	$ 39,000		$ 5,800	$ 2,963

1. Projections as of October 15, 2014
2. 2015 changes to unrestricted reserves are included in working cash. The Board will officially transfer funds in the second quarter of 2015.
3. 12/31/14 projection includes funds for approved capital projects that will be continued in 2015.
4. Designated funds are used for one-time expenses.
5. Includes anticipated transfer due to 2014 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, 2015

	Electric Utility	Water Utility
Debt Service Coverage Ratio[1]	2.06	2.96
Days Cash[2]	150	180
Operating Ratio[3]	0.79	0.57
Target		
Debt Service Coverage Ratio	1.75 to 2.00	2.00 to 2.50
Days Cash	90 to 149 days	90 to 120 days
Operating Ratio	≤.77	≤.57

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

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

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

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.

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