



## MEMORANDUM

EUGENE WATER & ELECTRIC BOARD  
CORPORATE SERVICES DIVISION

*Rely on us.*

TO: Commissioners Farmer, Brown, Cassidy, Cunningham and Ernst  
FROM: John Yanov *J Yanov*  
DATE: September 28, 2009  
RE: December 2009 Steam Rate Proposal

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This memo contains information for the October 6th board agenda for the December 2009 Steam Rate Proposal. This will be the first and only scheduled presentation and public hearing on the proposal. At next Tuesday's meeting, staff will be seeking approval for the rate change.

### **Issue**

An overall rate change of 0 percent is being proposed for General Service Steam customers, to become effective with bills sent in December 2009.

### **Background**

Each year in the Fall, staff reviews the financial condition of the Steam utility and brings to the Board a recommendation for rate action. Unlike prior years, there is no net change in the overall proposed steam rates for General Service customers for 2010. However, this proposal does seek to change both commodity rates and the fuel charge rate.

Due to a significant decrease in fuel costs for the 2010 Steam Budget, the proposed fuel charge is dropping \$5.50 per KLB, from \$18.00 per KLB to \$12.50 per KLB. The \$5.50 is being added back to the commodity rates, however, to help pay down operating loans and debt service costs. Thus, the net impact is 0 percent.

New this year is a firmer schedule for the Transition Plan, which seeks to curtail steam service by June 1, 2012. This means that even for 2010, some loss of customers is assumed for the sales and revenue projections.

### **Discussion**

The proposed 2010 Steam Budget and revenue requirement is shown in Attachment 1. Projected revenue and expenditures are consistent with plans to transition some customers during the next year. The December 1st rate change is already incorporated into expected revenues.

Results from an analysis of steam utility costs indicate no overall rate change for General Service customers. By rate component, the fuel charge is decreasing by 31 percent, while the commodity charge is rising by 44 percent (see Attachments 2 and 3).

The largest customer, Sacred Heart, has entered into a three-year service agreement with EWEB, commencing January 1, 2009 through December 31, 2011. This customer's rates are covered under contract provisions and are not a part of the steam rate proposal. The net effect of their combined rates is a reduction of 19 percent, primarily due to a substantial decrease in the fuels charge (see Attachment 2).

Operating loans and debt service payable to the Electric Utility are projected at \$1,118,000 at year-end. Of this amount, \$635,000 is debt service for capital improvements installed in the 1990's. Debt service payments of \$522,000 are incorporated into the 2010 Steam Budget.

### **Recommendations and Requested Action**

Staff recommends approval and adoption of the proposed steam rates, to become effective with bills sent on or after December 1, 2009.

In conjunction with the approval of the rate proposal, staff also recommends the adoption of the attached Board Resolution 0924 (Attachment 4).

### **Suggested Motion**

"I move approval of Resolution 0924 concerning Steam Rates."

### **Attachments**

cc: EMT, Patty Boyle, Will Bondioli, Mike Logan, Steve Mangan, Leslie Kidd

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**STEAM UTILITY  
2010 Proposed Budget Summary**

<b>OPERATING REVENUE:</b>	
Commodity Revenue	\$1,796,577
Fuels Charge Revenue	1,627,608
Total Revenue & Credits	\$3,424,185
<b>OPERATION &amp; MAINTENANCE EXPENSE:</b>	
Production/Fuel	\$1,600,000
Production/Non-fuel	753,017
Distribution	258,504
Cust Acctg/Meter Reading	9,946
Administrative & General	119,380
Insurance	14,900
Total O & M Expense	\$2,755,747
<b>CAPITAL IMPROVEMENTS:</b>	0
<b>OTHER PAYMENTS:</b>	
Contributions in-lieu of Taxes	\$145,958
Balance Sheet Adjustments	\$187
Debt Service	522,293
Total Other Payments	\$668,438
<b>TOTAL EXPENDITURES:</b>	\$3,424,185
<b>SURPLUS / (DEFICIT)</b>	\$0
As a Percent of Rate Revenue	0.0%

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**STEAM UTILITY  
2010 Steam Rate Proposal  
Revenue Summary**

	<b>With Existing Rates</b>	<b>With Proposed Rates</b>	<b>Total</b>
<b>Non-Fuel Revenue</b>			
General Service	\$938,673	\$1,348,192	43.6%
Self-Consumed	123,097	178,855	45.3%
Contract	259,163	269,530	4.0%
<b>Total</b>	<b>1,320,933</b>	<b>1,796,577</b>	<b>36.0%</b>
<b>Fuel Charge Revenue</b>			
General Service	\$1,340,244	\$930,725	-30.6%
Self-Consumed	182,483	126,724	-30.6%
Contract	777,490	570,159	-26.7%
<b>Total</b>	<b>2,300,217</b>	<b>1,627,608</b>	<b>-29.2%</b>
<b>Total Revenue</b>			
<b>General Service</b>	<b>\$2,278,917</b>	<b>\$2,278,917</b>	<b>0.0%</b>
<b>Self-Consumed</b>	<b>305,580</b>	<b>305,579</b>	<b>0.0%</b>
<b>Contract</b>	<b>1,036,653</b>	<b>839,689</b>	<b>-19.0%</b>
<b>Total</b>	<b>\$3,621,150</b>	<b>\$3,424,185</b>	<b>-5.4%</b>

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**STEAM UTILITY**  
**2009 Steam Rate Proposal**  
**Existing vs Proposed General Service Rates**

	<b>Existing Rates</b>	<b>Proposed Rates</b>	<b>Percent Increase</b>
<b>Monthly Basic Charge</b>	\$25.00	\$25.00	0.0%
<b>Commodity Charge per KLB</b>			
1st 100 KLBs	13.00	18.50	42.3%
Next 100 KLBs	12.40	17.90	44.4%
Over 200 KLBs	11.65	17.15	47.2%
<b>Fuels Charge per KLB</b>	18.00	12.50	-30.6%
<b>Minimum Charge</b>	25.00	25.00	0.0%

**RESOLUTION NO. 0924**

**December 2009  
Steam Rate Revision**

WHEREAS, the Eugene Water & Electric Board (EWEB) set rates for steam customers annually to recover expected costs for the succeeding 12 months;

WHEREAS, EWEB entered into natural gas hedges that limit exposure to increases in natural gas costs through late 2010; and

WHEREAS, EWEB is projecting increased costs for Steam Utility operations and maintenance expenses and repayment of operating loans from the Electric Utility, while at the same time fuel costs are decreasing;

THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the General Manager to implement the following rates for steam service effective with bills rendered on or after December 1, 2009:

1. Fuels Charge for \$12.50 per 1000 lbs. of steam per month.
2. Commodity Charge of \$18.50 per 1000 lbs. of steam for the first 100,000 lbs. of steam per month, \$17.90 per 1000 lbs. of steam for the next 100,000 lbs. of steam per month, and \$17.15 per 1000 lbs. of steam for any usage over 200,000 lbs. of steam in a month.
3. Basic charge and minimum bill of \$25 per month.

The net effect of these revisions is no change in the overall rate per 1,000 lbs of steam to Steam System customers.

Dated this 6th day of October 2009.

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

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President

I, DEBRA J. SMITH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its October 6, 2009 Regular Board Meeting.

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Assistant Secretary