



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

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

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

DATE: November 26, 2013

SUBJECT: 2014 Proposed Budgets and Rates

OBJECTIVE: Approval of 2014 Budgets and Rates Proposals

Issue

At the November 5, 2013 Board meeting, management presented proposals for the Electric and Water Utilities' 2014 budgets and February 2014 rate changes. Additionally, the first public hearing on those proposals was held. Commissioners requested that additional information be provided at the December 3, 2013 meeting which included updated long-term financial plan metrics, a 2014 6% overall average water rate increase scenario, and an electric rate change scenario that resulted in a 4% residential rate increase. The budgets and rate proposals are scheduled for approval after the public hearing at the December 3rd Board meeting. The Board is required by statute to approve the Utility budgets prior to January 1st.

Background

Budget

Included as Attachment 1 is the November 5th Board backgrounder which provides detailed information on the 2014 budget development process and the reductions made over the last two years to mitigate customer rate impacts.

Electric Rates

The Electric rate proposal recommended by management at the November 5th meeting represented an overall average 4% increase in electric rate revenues to cover the revenue requirements resulting from the 2014 budget assumptions. Major factors contributing to the proposed rate increase are a continuation of depressed wholesale revenue from sales of surplus power, a net reduction in the resources received from the BPA and increasing debt service costs which are the result of bonds issued to fund capital projects. Management also recommended residential rate design changes that include increasing the basic charge at a higher rate than the average residential rate increase and flattening the three energy charge tiers. The goal of the rate design is to improve fixed cost recovery and to keep renewable energy and energy efficiency programs financially sustainable.

The residential rate increase proposed was 4.5% and at the November meeting, commissioners requested that staff provide scenarios to achieve a 4% residential rate increase. Additionally, staff was requested to provide the information within the broader context of the long-term financial plan (LTFP).

Attaining the 4% residential rate increase requires that revenue be reduced by approximately \$1 million in order to avoid cost shifting to other customer classes which could be viewed as rate discrimination. This could be accomplished by depositing less to reserves and/or by making additional budget reductions. Depositing less to reserves would not meet the Board's debt service coverage target which

may be considered by rating agencies as avoidance of the revenue sufficiency rate-making principle. To achieve \$1 million in savings, over \$1 million would need to be cut if shared services with the Water Utility were part of the solution to achieve the Electric Utility's financial metrics. Given the magnitude of reductions made over the last two years, management has not yet identified the additional reductions that would be made if the Board selected that option. For comparative impact only, \$1 million represents the fully loaded costs of approximately 10 FTE.

Attachment 2 provides the LTFP metrics for four scenarios. In all the scenarios, the costs and benefits related to an opt-out Advanced Metering Infrastructure (AMI) approach have been removed. For the Electric Utility, the opt-out AMI provided long-term financial benefits. Accordingly, the financial metrics are lower than those presented at the October 1st Board meeting. The LTFP will be updated once the re-planning effort for the AMI opt-in approach has been completed. Scenario 1 includes an overall average February rate increase of 4% which represents a 4.5% residential increase. Scenario 2 reduces wholesale prices in Scenario 1 by 20%. Scenario 3 assumes an overall average rate increase of 3.5% (4% residential) and additional on-going electric budget reductions of \$1 million, and Scenario 4 assumes the lower rate increase without further reductions. The 4% residential rate increase results in \$1.14/month less than the 4.5% increase for the average single-family residence using 1600 kWh.

At the June 2013 Board meeting, the targets for debt service coverage (DSC) and financial rating were dropped to represent an "A" rating instead of "AA" in order to reduce the need for deeper budget cuts and/or much higher rate increases. The current DSC target is 1.75. Approximately \$600,000 of expenses in the 2014 proposed budget is for one-time costs that are proposed to be funded with 2013 reserves. Removing those expenses would result in a 2014 DSC of 1.77 instead of 1.74. For additional information, Attachment 3 provides the rating agency decision matrix provided by EWEB's financial advisor at the March 5th Board meeting.

Given the reduction in the LTFP metrics with the lower rate increase and the impact on operations of another significant budget reduction, management recommends maintaining the 4% overall average rate increase proposed in November. The following adjustments to retail electric rates are recommended for each customer class:

<u>Customer Class</u>	<u>Rate Schedule</u>	<u>Change Proposed</u>
Residential	R-6	4.5 %
Small General Service	G-1	7.3 %
Medium General Service	G-2	6.9 %
Large General Service	G-3	2.2 %
Very Large General Service	G-4	0 %
Contract A	n/a	n/a
Contract C	n/a	6.5 %
Contract D	n/a	3.8 %
Street Lighting	J-3, J-4	1.5 %
Private Lighting	L-3, L-4	3.3 %

Board Policy SD-9 adopted the cost of service standard as EWEB's primary mechanism for rate development in concert with the Public Utility Regulatory Policies Act provisions. Other rate-making principles include revenue sufficiency, affordability, efficiency, equity and gradualism. The Cost of Service Allocation (COSA) study allocates cost categories (e.g., production, transmission, distribution, customer, etc.) based on each customer class' unique usage characteristics. Accordingly, individual customer class rate adjustments vary from the 4% overall average percentage based on the outcome of the COSA. In accordance with the gradualism principle, the proposed rate change for very large general service is 0% instead of the 1.4% decrease presented November 5th.

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, 2014.

Water Rates

During the rate design process for the 2013 rate proposal, water rate consultants performed an extensive cost of service study. Based on that work and the small change in 2014 revenue requirements, no cost of service was performed for the 2014 rate proposal. A detailed cost of service will be prepared for the 2015 rate proposal.

At the November 5th meeting, management proposed a 3% rate increase for all customer classes except Water Districts. Water Districts' rates are effective on July 1st and accordingly, a 4% increase is required and was proposed. Commissioners requested that staff provide a 6% water rate increase option for their consideration at the December 3rd Board meeting.

Attachment 4 provides the LTFP metrics for three scenarios. In all the scenarios, the costs and benefits related to an opt-out AMI approach have been removed and approximately \$50 million in alternative water supply (AWS) costs are included. The LTFP will be updated once the re-planning effort for the AMI opt-in approach has been completed. Scenario 1 includes a 3% 2014 rate increase and smoothed rate increases in the out years to cover AWS costs. Scenario 2 also assumes a 3% 2014 rate increase; however rate increases to support AWS are concentrated in the higher cost years. Scenario 3 includes a 6% 2014 and AWS smoothed rate increases. The 6% rate results in an increase of \$.93/month over the 3% rate for the average single-family residence using 9 kgals.

With either the 3% or 6% rate increase, EWEB would continue to have some of the lowest water rates in the Northwest. Other communities, like Seattle and Creswell, have already made comparatively large capital investments to maintain a safe and reliable water supply. Included in the 2014 budget is \$600,000 to complete the Water Utility Master Plan which will help guide decisions regarding replacement of aging infrastructure and development of an AWS. Given the benefit a completed master plan will provide for long-term capital investment decisions and the nominal reduction to rate increases necessary to maintain financial metrics under Scenario 3, management recommends a 3% 2014 overall average rate increase.

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, 2014.

Recommendation Requested Board Action

After the public hearing on the 2014 budget and rate proposals, management recommends approval of the 2014 Budget, February 2014 Electric and Water Rate Proposals and the related resolutions 1327-1329.

Attachments

Attachment 1 – November 5, 2013 Board Backgrounder

Attachment 2 – Electric LTFP Scenarios

Attachment 3 – Seattle Northwest Moody's Methodology Factor Grid (March 5th Board meeting)

Attachment 4 – Water LTFP Scenarios



ATTACHMENT 1

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

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TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Cathy Bloom, Finance Manager; Sue Fahey, Fiscal Services Supervisor;
Harvey Hall, Deborah Hart and Edward Yan, Senior Financial Analysts
DATE: October 29, 2013
SUBJECT: 2014 Proposed Budgets and Rates
OBJECTIVE: Direction on 2014 Budget and Rates

Issue

November 5, 2013 is the first of two public hearings on the 2014 proposed Electric and Water Utility budgets and rate proposals which are scheduled for approval after the public hearing on December 3, 2013. Based on Board direction, final proposals will be prepared for the December 3rd meeting. The Board is required by statute to approve the Utility budgets prior to January 1st.

Background

Budget

Early in the 2014 budget development process, projected rate increases were over 20% for the Electric Utility and 15% for the Water Utility. To reduce the magnitude of those rate increases, for the second year in a row, EWEB management made a series of difficult, but necessary, cost cutting decisions in early 2013. The decisions were made after a review of EWEB's business model and cost structure using information gathered through the priority based budgeting (PBB) process, which resulted in further changes to traditional business practices. Reduction measures incorporated in the 2014 proposed budget, and accordingly the rate proposals, include 25 positions (most of which have been achieved through attrition and retirements), non-labor operations & maintenance reductions of \$3.6 million, and the deferral or elimination of over \$20 million in capital spending.

At the October 1st Board meeting, staff presented a draft budget that included an overall average 4% Electric rate increase and an overall average Water rate increase of 3% for bills rendered beginning February 2014. At the same meeting, management recommended Electric residential rate design changes that included increasing the basic charge at a higher rate than the overall average rate increase and flattening the three energy charge tiers. The goal of the rate design is to improve fixed cost recovery and to keep renewable energy and energy efficiency programs financially sustainable. These changes have been incorporated into the 2014 proposed budget.

Net priority based budgeting changes for full-time equivalent (FTE) positions and non-labor O&M budgets by department for the last two years are noted below:

Department FTE Changes	2013	2014	Total
General Manager	(3.00)	(1.00)	(4.00)
Electric (includes warehouse and facilities)	(10.50)	(8.00)	(18.50)
Water	1.00	(2.00)	(1.00)
Customer Service	(6.00)	3.35	(2.65)
Energy Management Services	(11.00)	(5.00)	(16.00)
Engineering	(9.50)	(2.00)	(11.50)
Generation and Fleet	(2.25)	(2.00)	(4.25)
Information Technology	1.00	(1.00)	0.00
Strategic and Power Planning	(2.00)	(1.00)	(3.00)
Power Operations	(2.00)	(1.00)	(3.00)
Finance	(1.00)	(1.00)	(2.00)
Environmental	(1.00)	0.00	(1.00)
Human Resources	(2.30)	0.25	(2.05)
Public Affairs	(2.00)	0.00	(2.00)
Total	(50.55)	(20.40)	(70.95)

Excluded from the above table are FTE increases related to in-sourcing work previously performed by contractors that were funded through a non-labor expense reduction and FTE on short-term special assignments. Total FTE reductions represent over 12% of 2012 FTE.

Department Non-labor O&M Reductions	2013	2014	Total
General Manager	\$ 25,000	\$ 110,000	\$ 135,000
Electric (includes warehouse and facilities)	\$ 114,000	\$ 230,000	\$ 344,000
Water	\$ 222,000	\$ 120,000	\$ 342,000
Customer Service	\$ 168,000	\$ 428,000	\$ 596,000
Energy Management Services	\$ 1,616,000	\$ 1,095,000	\$ 2,711,000
Engineering	\$ 329,000	\$ 635,000	\$ 964,000
Generation and Fleet	\$ 48,000	\$ 123,000	\$ 171,000
Information Technology	\$ 218,000	\$ 457,000	\$ 675,000
Strategic and Power Planning	\$ 142,000	\$ 66,000	\$ 208,000
Power Operations	\$ 456,000	\$ 20,000	\$ 476,000
Finance	\$ 19,000	\$ 62,000	\$ 81,000
Environmental	\$ 190,000	\$ 75,000	\$ 265,000
Human Resources	\$ 343,000	\$ 99,000	\$ 442,000
Public Affairs	\$ 239,000	\$ 53,000	\$ 292,000
Total Non-labor O&M Reductions	\$ 4,129,000	\$ 3,572,000	\$ 7,702,000

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 to the non-labor budget and include funding an update of the water and electric master plans to guide replacement of aging infrastructure (\$800,000) and covering higher statutory compliance costs (\$200,000). Another component of the PBB process is to only use one-time resources for short-term expenses. About \$600,000 of Electric Utility reserves was used to fund regional memberships and potential legal costs.

The 2014 Electric and Water Utility budgets total \$289.4 million compared to \$304.1 million in 2013, a decrease of 4.8%. The 2014 Electric combined operating & maintenance (O&M) and capital budgets of \$252.9 million is approximately 4.8% lower than 2013. The Water Utility combined operating and capital budgets of \$36.5 million is 4.9% lower than 2013. The decrease is primarily

due to O&M and capital reductions resulting from the PBB process and the 2013 budget including a one-time payment to the Other Post Employment Benefits Trust.

Key assumptions used in developing the 2014 proposed budgets are:

Both Utilities

- 2.3% non-labor CPI increase as per the US Bureau Labor and Statistics, Portland/Salem 10 year average
- Labor/Benefits:
 - 2.1% salary escalation based on an average of the Portland/Salem CPI for All Urban Consumers (CPI-U) and Wages (CPI-W)
 - Health insurance – 7.5% increase offset by a health insurance rebate
- PBB Related O&M Net Change – Electric: \$5 million decrease which is partially offset by a shift of \$700,000 in capital labor to O&M; Water: \$100,000 decrease due to the net effect of reductions and a \$600,000 addition for development of water master plan
 - 15 FTE reduction, net
 - 25 positions eliminated, almost entirely managed through vacancies and retirements
 - Addition of 7 FTE primarily for customer service and staffing for short-term projects
 - Addition of 3 FTE to in-source certain vegetation management work (corresponding non-labor reduction)
 - PBB changes as shown above

Electric:

- Flat retail load – 2.4 million mWh
- Generation based on 90% of average stream flow
- Wholesale prices based on melded mid-market price curve
- Use of \$600,000 reserves primarily for one-time legal and regional organization membership expenses
- 4% overall average rate increase which represents a \$5.15/month increase for the average residential apartment using 570 kWh and \$6.19/mo for the average residential house using 1600 kWh

Water:

- Flat consumption – 7.5 million kgals
- Deposit of \$2.7 million to working cash/ operating reserves
- 3% rate increase which represents a less than \$1/month increase for the average customer

Electric Rates

The Electric rate proposal represents an overall average 4% increase in electric rate revenues which is necessary to cover the revenue requirements resulting from the above budget assumptions.

Management is also recommending residential rate design changes that include increasing the basic charge at a higher rate than the overall average rate increase and flattening the three energy charge tiers. The goal of the rate design is to improve fixed cost recovery and to keep renewable energy and energy efficiency programs financially sustainable. The most recent electric rate change was an overall average increase of 1.75% in November 2013 due to the pass through of higher Bonneville Power Administration (BPA) costs.

Major factors contributing to the proposed rate increase are a continuation of depressed wholesale revenue from sales of surplus power, a net reduction in the resources received from the BPA, and increasing debt service costs which are the result of bonds issued to fund capital projects.

Individual customer class rate adjustments vary from the 4% overall average percentage, based on their outcomes in the Cost of Service Allocation (“COSA”) study. EWEB staff is recommending the following adjustments to retail electric rates for each customer class:

<u>Customer Class</u>	<u>Rate Schedule</u>	<u>Increase Proposed</u>
Residential	R-6	4.5 %
Small General Service	G-1	7.3 %
Medium General Service	G-2	6.9 %
Large General Service	G-3	2.2 %
Very Large General Service	G-4	-1.4 %
Contract A	n/a	n/a
Contract C	n/a	6.5 %
Contract D	n/a	3.8 %
Street Lighting	J-3, J-4	1.5 %
Private Lighting	L-3, L-4	3.3 %

The rate increases in the table above are based on the Cost of Service Allocation (COSA) study which allocates cost by various categories (e.g. production, transmission, distribution, customer, etc.) to each major customer class. The result is an overall average rate increase of 4%. However due to differences in usage characteristics among customer classes, the cost categories are not allocated equally which results in the different rate changes. Management provided six rate-making principles at the March 5th Board meeting which include revenue sufficiency, affordability, efficiency, cost basis, equity and gradualism. The COSA developed rates above clearly address the revenue sufficiency and cost basis principles. The other principles must also be considered when making final rate decisions and may result in changes to the above rates. For example, EWEB will be reviewing the COSA model next year focusing on cost allocation factors and processes to ensure a strong connection and consistency with rate redesign efforts. Given that the review may change cost allocations among customer classes, using the efficiency and gradualism principles it may be prudent to increase all non-contract customers by the same percentage in 2014 and make adjustments among classes after the review.

It is important to note that past rate increases by class have also been non-uniform as well though. For example, some of the lower-than-average rate increases by class in the table above (e.g. Street Lighting, Large General Service) were higher-than-average among the May 2013 rate increases.

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, 2014. Attachment 1 contains the summary of current and proposed rates by major customer class.

Water Rates

As mentioned previously, at the October 1st Board work session management presented a draft 2014 budget that included an overall average water rate increase of 3%, to be effective on bills rendered in February 2014. On the Water Utility side, the main factors contributing to the rate increase were the deferral of 10% of the 30% 2013 rate increase that management recommended, low projected sales, the need to replace aging infrastructure so that customers continue to receive safe, reliable water; and the need to further stabilize the Utility's financial condition. The most recent water rate change was an overall increase of 20% in February 2013 which included a structural design change to rely less on volumetric revenues and more on revenues derived from basic charges.

During the 2013 rate design process, water rate consultants performed an extensive cost of service study. Based on that work and the small change in 2014 revenue requirements, no cost of service was performed for 2014. A detailed cost of service will be prepared for the 2015 rate proposal. Management is recommending a 3% rate increase for all customer classes except Water Districts. Water Districts' rates are effective on July 1st and accordingly, a 4% increase is required and proposed.

If approved by the EWEB Commissioners following the December public hearing, revised water rates for all customer classes would become effective with billings rendered on and after February 1, 2014. Attachment 2 contains the summary of current and proposed rates for residential and general service inside city customers.

Recommendation Requested Board Action

Management recommends that the Board direct staff to propose 2014 budgets and rates consistent with the information set forth herein and in the related 2014 Proposed Budget and 2014 February Electric and Water Rate Proposals. At the December 3, 2013 Board meeting after the public hearing, management will recommend approval of the 2014 Budget, February 2014 Electric Rate Proposal, February 2014 Water Rate Proposal.

Attachments

Attachment 1 – Electric Rate Comparison

Attachment 2 – Water Rate Comparison

Attachment 1 (Nov. 5)

ELECTRIC RATE COMPARISON Existing vs. Proposed Rates

RESIDENTIAL:	Existing Rates	Proposed Rates	Billing Unit
Basic Charge:	\$11.15	\$13.50	per Month
Delivery Charge:	\$0.03191	\$0.03195	per kWh
Energy Charge:			
SUMMER			
First 800 kWh	\$0.05309	\$0.05796	per kWh
Next 900 kWh	\$0.07147	\$0.07132	per kWh
Over 1,700 kWh	\$0.08509	\$0.08423	per kWh
WINTER			
First 800 kWh	\$0.05309	\$0.05796	per kWh
Next 2,200 kWh	\$0.07147	\$0.07132	per kWh
Over 3,000 kWh	\$0.08509	\$0.08423	per kWh

SMALL GENERAL SERVICE:	Existing Rates	Proposed Rates	Billing Unit
Basic Charge			
Single-Phase	\$19.84	\$22.50	per month
Three-Phase	\$29.35	\$33.25	per month
Demand Charge			
First 10 kW	No Charge	No Charge	per kW
Over 10 kW	\$6.05	\$6.95	per kW
Delivery Charge			
First 1,750 kWh	\$0.03275	\$0.03490	per kWh
Additional kWh	0.00121	0.00129	per kWh
Energy Charge			
All kWh	\$0.06314	\$0.06732	per kWh

ELECTRIC RATE COMPARISON
Existing vs. Proposed Rates

Medium General Service	Existing Rates		Proposed Rates		
	Secondary	Primary	Secondary	Primary	
Basic Charge					
Single-Phase	\$33.37	---	\$37.30	---	per month
Three-Phase	\$51.74	\$3,004.68	\$57.85	\$3,360.00	per month
Demand Charge					
First 300 KW	\$6.610	---	\$7.250	---	per kW
Over 300 KW	\$6.610	\$6.460	\$7.250	\$7.100	per kW
Energy Charge					
All kWh	\$0.05728	\$0.05646	\$0.06084	\$0.05996	per kWh

Large General Service	Existing Rates		Proposed Rates		
	Secondary	Primary	Secondary	Primary	
Basic Charge	\$2,630	\$2,559	\$2,690	\$2,615	per month
Demand Charge					
First 300 KW	---	---	---	---	per KW
Over 300 KW	\$7.380	\$7.170	\$7.500	\$7.300	per KW
Energy Charge					
All kWh	\$0.04717	\$0.04632	\$0.04823	\$0.04730	per kWh

**ELECTRIC RATE COMPARISON
STREET & PRIVATE LIGHTING CLASSES
Existing vs Proposed Rates**

	Existing Rates	Proposed Rates	Billing Unit
SCHEDULE J-3 (Street Lighting):			
175 Watt MW	\$ 7.73	\$ 7.85	per Month
250 Watt MW	\$ 9.51	\$ 9.65	
400 Watt MW	\$ 13.94	\$ 14.15	
700 Watt MW	\$ 23.40	\$ 23.75	
SCHEDULE J-4 (Street Lighting):			
35 Watt HPS	\$ 2.49	\$ 2.53	per Month
50 Watt HPS	\$ 3.79	\$ 3.85	
70 Watt HPS	\$ 4.48	\$ 4.55	
100 Watt HPS	\$ 5.55	\$ 5.63	
150 Watt HPS	\$ 7.17	\$ 7.28	
200 Watt HPS	\$ 8.34	\$ 8.47	
250 Watt HPS	\$ 10.12	\$ 10.27	
310 Watt HPS	\$ 11.80	\$ 11.98	
400 Watt HPS	\$ 14.09	\$ 14.30	
1000 Watt HPS	\$ 31.85	\$ 32.33	
1000 Watt MHL	\$ 31.85	\$ 32.33	
SCHEDULE L-3 (Private Lighting):			
100 Watt HPS	\$ 6.82	\$ 7.05	per Month
200 Watt HPS	\$ 8.70	\$ 8.99	
400 Watt HPS	\$ 14.45	\$ 14.93	
SCHEDULE L-4 (Private Lighting):			
50 Watt HPS	\$ 5.49	\$ 5.67	per Month
70 Watt HPS	\$ 5.60	\$ 5.78	
150 Watt HPS	\$ 6.05	\$ 6.25	

Attachment 2 (Nov. 5) – Water Rate Comparisons

Existing vs. Proposed Rates

	Existing Rates	Proposed Rates
Residential Customers		
BASIC CHARGE		
5/8"	\$16.50 /month	\$17.00 /month
3/4"	\$17.17	\$17.69
1"	\$22.27	\$22.94
1 - 1/2"	\$34.08	\$35.10
2"	\$61.06	\$62.89
Total		
VOLUME CHARGE		
First 8,000 gallons	\$1.51 /Kgal	\$1.56 /Kgal
Next 22,000 gallons	\$2.55	\$2.63
Over 30,000 gallons	\$4.13	\$4.25
General Service Customers		
BASIC CHARGE		
5/8"	\$16.50 /month	\$17.00 /month
3/4"	\$17.17	\$17.69
1"	\$22.27	\$22.94
1 - 1/2"	\$34.08	\$35.10
2"	\$61.06	\$62.89
3"	\$137.55	\$141.68
4"	\$234.85	\$241.90
6"	\$352.40	\$362.97
8"	\$510.10	\$525.40
10"	\$720.45	\$742.06
VOLUME CHARGE		
All KGAL (1,000 gallons)	\$2.590 /Kgal	\$2.668 /Kgal

Attachment 2

				Summary of Electric LTFP Assumptions and Outcomes (\$000's omitted)										
				Current Target	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	4% Feb Rate Increase AMI Out (No meter Installations 2014)	Reserves & Cash Operating Reserve Change DSC	\$47,120 - \$57,620 1.75 - 2.0	\$96,700	\$103,700	\$112,200	\$121,700	\$110,200	\$107,700	\$115,400	\$130,200	\$154,900	\$188,200	
				\$6,400	\$7,600	\$4,700	\$8,200	\$7,700	-\$500	\$10,700	\$16,800	\$24,500	\$31,800	
				1.74	1.76	1.77	1.84	1.86	1.64	1.95	2.02	2.39	2.87	
2	4% Feb Rate Increase AMI Out (No meter Installations 2014) 20% Price Decrease	Reserves & Cash Operating Reserve Change DSC	\$47,120 - \$57,620 1.75 - 2.0	\$96,700	\$103,000	\$109,200	\$116,100	\$100,000	\$94,300	\$97,100	\$107,400	\$127,400	\$156,000	
				\$6,400	\$6,900	\$2,400	\$5,600	\$3,100	-\$3,700	\$5,800	\$12,300	\$19,800	\$27,100	
				1.74	1.73	1.69	1.75	1.71	1.54	1.80	1.90	2.25	2.71	
3	3.5% Feb Rate Increase (4% Residential) AMI Out; Cost Decrease	Reserves & Cash Operating Reserve Change DSC	\$47,120 - \$57,620 1.75 - 2.0	\$96,700	\$102,900	\$111,500	\$120,300	\$108,100	\$103,800	\$110,000	\$122,200	\$143,800	\$173,600	
				\$6,400	\$6,800	\$4,800	\$7,500	\$7,000	-\$2,300	\$9,200	\$14,200	\$21,400	\$28,300	
				1.74	1.73	1.77	1.82	1.84	1.58	1.90	1.95	2.29	2.75	
4	3.5% Feb Rate Increase (4% Residential) AMI Out; Reserve Decrease	Reserves & Cash Operating Reserve Change DSC	\$47,120 - \$57,620 1.75 - 2.0	\$95,800	\$101,100	\$108,800	\$116,700	\$103,600	\$98,400	\$103,600	\$114,800	\$135,300	\$164,000	
				\$5,500	\$5,900	\$3,900	\$6,600	\$6,100	-\$3,200	\$8,200	\$13,200	\$20,300	\$27,200	
				1.71	1.70	1.74	1.79	1.81	1.56	1.87	1.93	2.26	2.71	

* All scenarios exclude costs and benefits of AMI pending completion of the AMI op-in strategy re-plan

Note: Yellow highlight represents metric is close to target. Red highlight represents metric is below target.	Rate Schedule	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Base Rate Increase	3.5%/4.0%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	BPA Increase		2.50%		2.50%		2.50%		2.50%		2.50%
	Carmen/Smith Debt					1.75%		1.50%			
	Total Rate Change	3.5%/4.0%	5.50%	3.00%	5.50%	4.75%	5.50%	4.50%	5.50%	3.00%	5.50%

Note: Assumes BPA pass-through occurs in November of odd years.

Attachment 3



February 25, 2013

The rating agencies have continued to revise their analysis procedures since the financial collapse in 2008/2009 and have attempted to make their ratings process more transparent to their issuer clients. In doing so, Moody's, for instance, has developed a "ratings scorecard," also known as a Methodology Factor Grid, that allows issuers to evaluate their rating in terms of a weighted score based on factors that Moody's ranks in order of importance. Of course, with each utility's risk profile a little different from the next, the actual weights Moody's uses for each category usually vary. For instance, depending on the amount of generation assets a utility owns as a percentage of its overall power portfolio, Moody's may place much higher importance on liquidity metrics such as the Days Cash on Hand ratio in order to satisfy potential high volatility in the power markets.

Attached below is a copy of the Moody's Methodology Factor grid for utilities with generation assets:

Public Power Electric Utilities-Generators Methodology Factor Grid

Factor	Sub-Factor / Description	Weight	Aaa	Aa	A
Total Weight		100%			
1. Cost Recovery Framework Within Service Territory	-Monopoly with unregulated rate setting -Service area economic strength -Customer base stability	25%	Monopoly with unregulated rate setting; very strong service area economy	Monopoly with unregulated rate setting; strong service area economy	Monopoly with unregulated rate setting; average service area economy
2. Willingness and Ability to Recover Costs with Sound Financial Metrics	-Rate-setting record -Timeliness of recovery -Political risk -Local government supportiveness -General fund transfer policy	25%	Excellent rate-setting record; Rates, fuel, & purchased power cost adjustments less than 10 days; no political intervention in past or extremely high support from related government; very limited General Fund transfers governed by policy	Strong rate-setting record; Rates, fuel, and purchased power cost adjustments 10 to 30 days; limited political intervention in past or high support from related government; conservative and well defined General Fund transfers governed by policy	Adequate rate-setting record; Rates, fuel, and purchased power cost adjustments 31 to 60 days; some political intervention in past or average support from related government; moderate General Fund transfers
3. Management of Generation Risks	- Diversity of supply - Reliability and cost of supply and distribution	10%	Very strong management of generation risks; High degree of diversification of generation and/or fuel sources; well insulated from commodity price changes; single generation asset provides less than 20% of power and/or up to 20% of energy from coal-fired generation with carbon mitigation strategy	Strong management of generation risks; some diversification of generation and/or fuel sources; minimally affected by commodity price changes; single generation asset provides less than 40% of power and/or 21% to 40% of energy from coal-fired generation with carbon mitigation strategy	Average management of generation risks; some reliance in one type of generation or fuel source, but diversified with purchased power sources; modest exposure to commodity price changes; single generation asset may provide 40% to 55% of power and/or 41% to 55% of energy from coal-fired generation with carbon mitigation strategy
4. Competitiveness	Rate Competitiveness (compared to state average)	10%	25% or more below average	25% to 7.51% below average	7.5% below average to 7.5% above average
5. Financial Strength					
(a) Liquidity	Adjusted days liquidity on hand (3-year avg) (days)	10%	≥ 250 days	150 days to 249 days	90 days to 149 days
(b) Leverage	Debt ratio (3-year avg) (%)	10%	Less than 25%	25% to 50%	50% to 75%
(c) Operating Resiliency	Adjusted debt service coverage OR fixed obligation charge coverage (3-year avg) (x)	10%	≥ 2.50x	2.00x to 2.49x	1.50x to 1.99x

Scoring

1

3

6

Attachment 4

				Summary of Water LTFP Rate Assumptions and Outcomes (000s omitted)*									
Scenarios	Assumptions		Current Target	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	3% Rate 2014; 6% Rate 2015-21; 4% 2020-2021;3% 2022; with draw down of reserves to fund capital in 2017, 2019, 2021	Reserves & Cash	\$7,900 - \$11,400	\$9,314	\$14,086	\$19,159	\$13,083	\$19,990	\$8,137	\$13,880	\$15,160	\$22,237	\$28,453
		Operating Reserve Change		\$2,704	\$3,267	\$3,731	\$4,595	\$5,568	\$5,081	\$4,712	\$6,409	\$6,709	\$5,937
		DSC	2.0-2.5	2.69	2.87	2.95	3.05	3.16	2.66	2.35	2.53	2.58	2.54
		Base		3.0%	3.0%	3.0%	4.0%	4.0%	4.0%	4.0%	3.0%	3.0%	0.0%
		AWS**		0.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	3.0%	0.0%	0.0%
		Rate Action		3.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	3.0%	0.0%
2	3% Rate 2014-2016; 9% Rate 2017-2020; 3% 2021-2022; with draw down of reserves to fund capital in 2017, 2019, 2021	Reserves & Cash	\$7,900 - \$11,400	\$9,294	\$13,262	\$16,508	\$13,123	\$19,574	\$11,313	\$18,877	\$21,959	\$29,758	\$36,674
		Operating Reserve Change		\$2,704	\$2,443	\$1,904	\$3,287	\$5,112	\$5,673	\$6,533	\$7,241	\$7,401	\$6,636
		DSC	2.0-2.5	2.69	2.73	2.64	2.80	3.00	2.65	2.45	2.53	2.57	2.52
		Base		3.0%	3.0%	3.0%	4.0%	4.0%	4.0%	4.0%	3.0%	3.0%	0.0%
		AWS**		0.0%	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	0.0%	0.0%	0.0%
		Rate Action		3.0%	3.0%	3.0%	9.0%	9.0%	9.0%	9.0%	3.0%	3.0%	0.0%
3	6% Rate 2014-2015; 5% Rate 2016-2021; 3% 2022; with draw down of reserves to fund capital in 2017, 2019, 2021	Reserves & Cash	\$7,900 - \$11,400	\$10,073	\$15,807	\$21,594	\$12,079	\$19,359	\$7,506	\$12,834	\$13,236	\$19,354	\$24,606
		Operating Reserve Change		\$3,483	\$4,209	\$4,446	\$5,157	\$5,940	\$5,081	\$4,297	\$5,531	\$5,750	\$4,973
		DSC	2.0-2.5	2.83	3.04	3.06	3.19	3.32	2.71	2.34	2.49	2.53	2.49
		Base		3.0%	3.0%	3.0%	4.0%	4.0%	4.0%	4.0%	3.0%	3.0%	0.0%
		AWS**		3.0%	3.0%	2.0%	1.0%	1.0%	1.0%	1.0%	2.0%	0.0%	0.0%
		Rate Action		6.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	3.0%	0.0%

* All scenarios exclude costs and benefits of AMI pending completion of the AMI opt-in strategy re-plan.

** Alternative Water Supply

Note: Yellow highlight represents metric is close to target. Red indicates metric is below target.



Eugene Water & Electric Board

500 East 4th Avenue

Post Office Box 10148

Eugene, Oregon 97440-2148

541-685-7000

February 2014 Electric Rate Proposal

**Fiscal Services Department
December 2013**

**EUGENE WATER & ELECTRIC BOARD
FEBRUARY 2014 ELECTRIC RATE PROPOSAL**

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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 2014. The most recent prior electric rate revision was the Bonneville Administration pass-through in November 2013, amounting to a 1.75 percent overall average rate increase.

A 4.0 percent overall average increase in electric rate revenues is recommended to recover the revenue requirement of \$209 million for retail customers, which includes costs for purchased power, capital expenditures and other expenses associated with ongoing operation and maintenance of EWEB's electric system. This is the increase that is proposed in the 2014 budget.

The wholesale power market remains soft and the cost of power investments has increased debt and resulted in higher overall power costs.

In keeping with proposed 2014 budget assumptions, anticipated expenditures, forecasted electric sales for the 12-month period, and the results of a detailed Cost of Service Allocation (COSA) study, EWEB staff is recommending the following adjustments to retail electric rates for each customer class:

<u>Customer Class</u>	<u>Rate Schedule</u>	<u>Increase Proposed</u>
Residential	R-6	4.5%
Small General Service	G-1	7.3%
Medium General Service	G-2	6.9%
Large General Service	G-3	2.2%
Very Large General Service	G-4	0.0%
Contract A	n/a	n/a
Contract C	n/a	6.5%
Contract D	n/a	3.8%
Street Lighting	J-3, J-4	1.5%
Private Lighting	L-3, L-4	3.3%

The rate increases in the table above are based on the COSA study which allocates cost by various categories (e.g. production, transmission, distribution, customer, etc.) to each major customer class. The result is an overall average rate increase of 4 percent. However due to differences in usage characteristics among customer classes, the cost categories are not allocated equally which results in the different rate changes. Management provided six rate-making principles at the March 5th Board meeting which include revenue sufficiency, affordability,

efficiency, cost basis, equity and gradualism. The COSA developed rates above clearly address the revenue sufficiency and cost basis principles. The other principles must also be considered when making final rate decisions and may result in changes to the above rates. For example, EWEB will be reviewing the COSA model next year focusing on cost allocation factors and processes to ensure a strong connection and consistency with rate redesign efforts. Given that the review may change cost allocations among customer classes, using the efficiency and gradualism principles it may be prudent to increase all non-contract customers by the same percentage in 2014 and make adjustments among classes after the review.

If approved by the EWEB Commissioners following scheduled public hearings, revised electric rates for all customer classes would become effective with billings rendered on and after February 1, 2014.

Changes Since Last Revision

At the October 1, 2013 Board meeting, management recommended two rate design changes for R-6 Residential customers: 1. An increase in the Basic Charge and 2. Flattening of the three energy charge tiers. The goal is to improve fixed cost recovery and to keep renewable energy and energy efficiency programs financially sustainable. In addition, there is a policy clarification for Very Large General Service (G-4) schedule and the proposal of a new Business Growth & Retention Rate Rider (BGR) rate. The objective of Very Large General Service policy clarification is to make clear within the existing rate schedule the responsibility of a new large load to cover the cost of acquiring new renewable resources and Renewable Energy Credits needed to meet the Renewable Portfolio Standard obligation resulting from their load addition. The purpose of the BGR rate is to serve both as a catalyst for the local economy and to improve our existing customers' retail rates and to add value to all EWEB customers. The BGR rate is designed to help incent desirable new load to locate in Eugene. It is also designed to encourage existing customers to remain in Eugene and to grow their business.

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. 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.

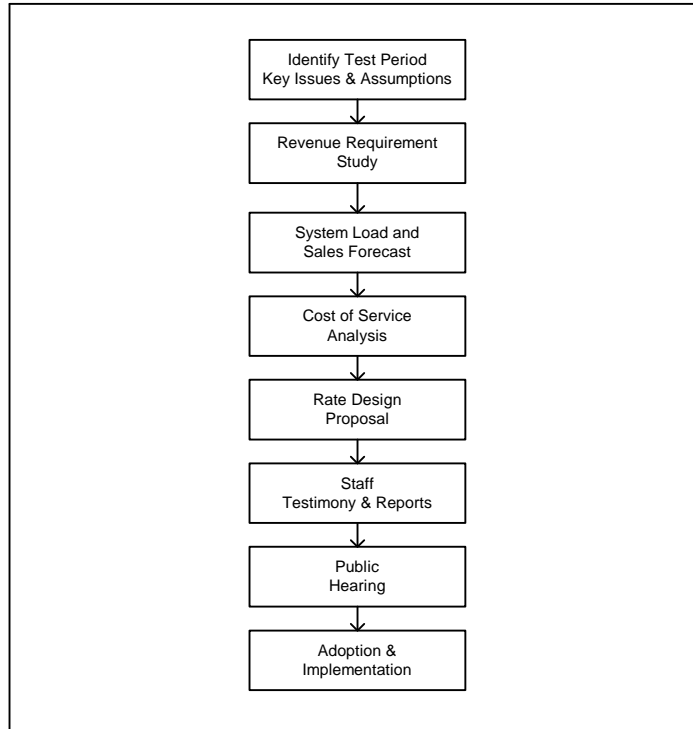
The second standard requires that rates and charges for utility service be fair and nondiscriminatory. Rates are considered nondiscriminatory when customers receiving like and contemporaneous service under similar circumstances are treated equally in the development and application of specific rates. 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 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.

The detail of EWEB's current cost of service methodology and results for the 2014 test period is available upon request for the cost of duplication at budget@eweb.org.

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. Toward this end, the EWEB Commissioners have adopted specific guidelines for public notice and hearings during discussion of electric rate recommendations.

On April 7, 1980, the Board approved a final order pursuant to the provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA). This order reflects the formal policy determinations made by the Board on a variety of electric rate making and customer service issues. The Board's final PURPA order addresses public notification and involvement in rate deliberations as follows:

"a. Thirty days prior to official explanation and consideration of electric rate proposals involving either of the two major rate classes, residential and commercial, EWEB will provide public notice in the form of legal notices placed in prominent local newspapers, and news releases to all local radio, television, and printed media.

The legal notices and news releases will contain notification of rate classes under consideration for change and date, time and location of the public hearing. Adequate time will be provided at that meeting for public participation.

b. EWEB will supply all persons who attend the hearing copies of all presentation material. In addition, if further supportive background material is requested by the public following the first hearing, EWEB will supply it for the cost of duplication.

c. On a date to be determined by the Board, but not earlier than 30 days following the first consideration of a rate change, the Board may adopt a revised rate. Adequate time will be provided at that meeting for public participation prior to the adoption of a revised rate."

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

<u>Publication Name</u>	<u>Date</u>
The Register-Guard	September 30, 2013
The Register-Guard	November 1, 2013

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 Commissioners meetings on Tuesday, November 5th, beginning at 5:30 p.m. and Tuesday, December 3rd, 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. For timely consideration, written comments must be received prior to December 2, 2013, to ensure delivery to the Board prior to their scheduled action on the rate proposal. E-mail comments may be directed to budget@eweb.org.

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 2014 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, 2014.
2. Public hearings will be held in the EWEB Community Room, 500 East 4th Avenue, Eugene, Oregon, on the following dates and times:

November 5, 2013 - 5:30 p.m.
December 3, 2013 - 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, 2013, 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 November 5, 2013.

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:

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

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 524 combined electric and water personnel as of third quarter 2013. 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:

<u>Executive</u> Roger Gray	<u>Department</u> General Manager
<u>Leadership Team</u> Steve Newcomb Cathy Bloom Lena Kostopulos Matt Sayre Erin Erben Lance Robertson Mark Freeman Mel Damewood Roger Kline Dave Churchman Brad Taylor Todd Simmons	<u>Areas of Responsibility</u> Environmental Management Financial Services Human Resources Information Services Power Resources & Strategic Planning Public Affairs Customer Service & Energy Management Services Engineering Generation & Fleet Services Trading & Power Operations Water Operations Electric Transmission & Distribution Operations

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 weekly with the Leadership Team members who hold regular meetings with their department staff to maintain employee productivity and efficient operations.

Figure 2

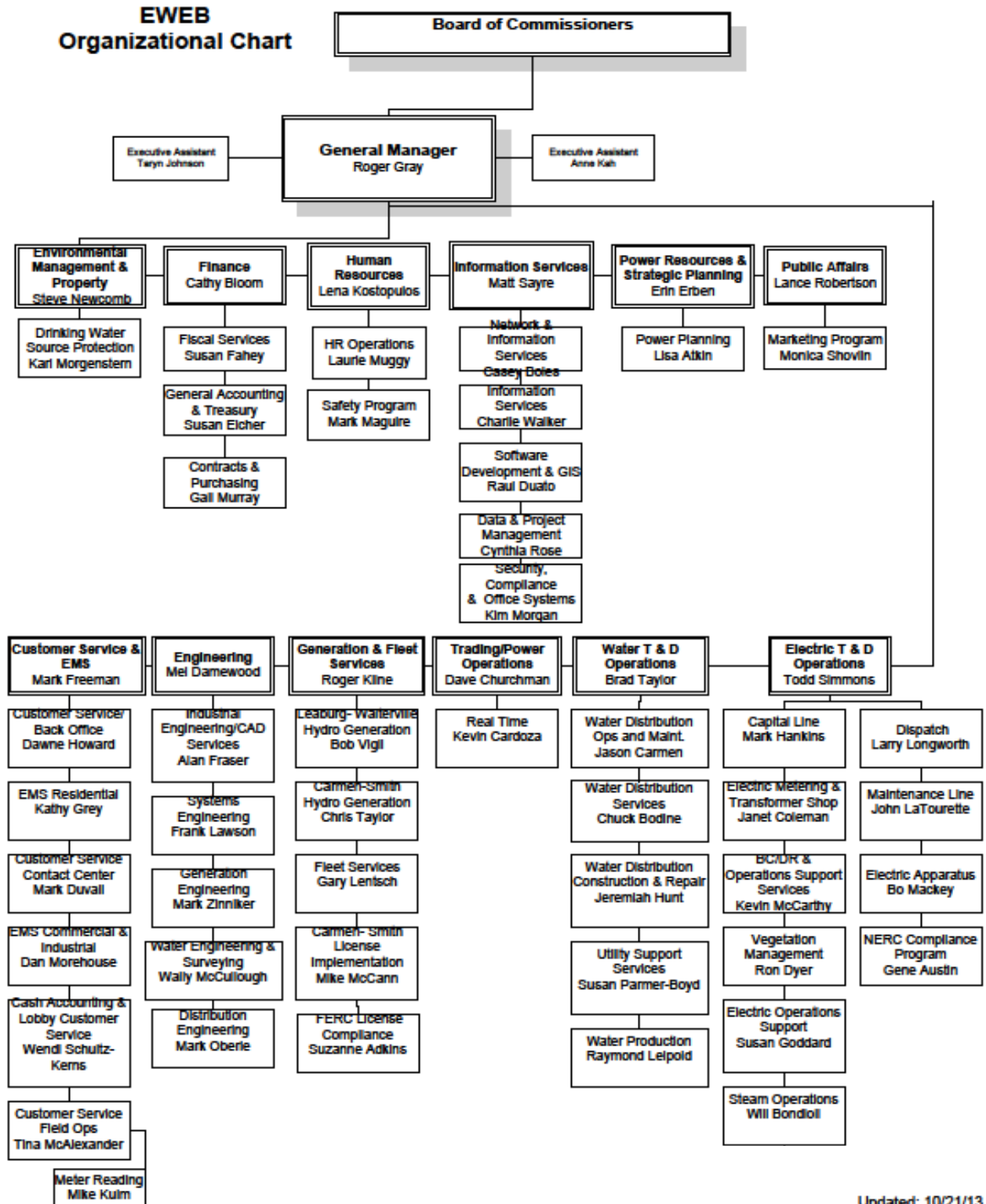


Table 1 below shows the percentage change in EWEB employees, customers and electric sales over the past ten years. In recent years, the effects of an economic recession have limited the number of new customers and reduced electric consumption. Although electric consumption declined for a period during the recession, we are now on a trend of flat consumption with low growth offset by conservation efforts. After several months of priority-based budgeting work, approximately 50 positions were reduced in June 2012 and another 25 positions were reduced in 2013.

Table 1
Employee, Customer & Megawatt-Hour Sales Statistics
For the Period 2003-2012

Year	Total Employees	% Change	Customer Count	% Change	mWh Sales	% Change
2003	447	-2.0%	82,300	0.9%	2,542,158	0.0%
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%	89,000	1.5%	2,375,070	-1.6%

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 is 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. The survey included questions designed to specifically determine customer spending priorities. The successful Customer Care program continues to assist restricted-income customers in paying their bills. Other feedback comes from the comment forms at the office lobby, on the back of monthly bills, and via online Ask Us. These and other activities reaffirm EWEB's longstanding commitment to the citizens of the Eugene community.

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 \$685 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.

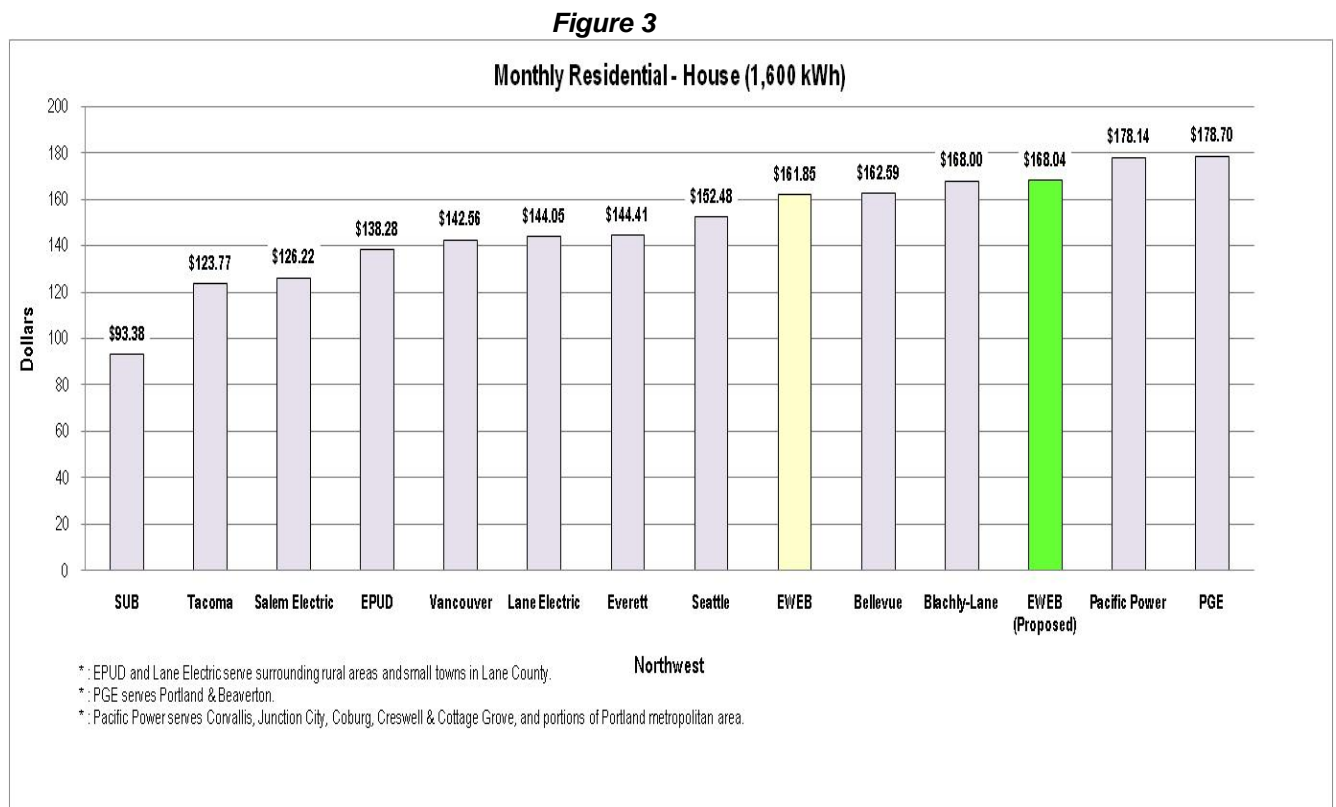
Although EWEB's power supply costs have historically ranked fairly low nationally, recent proposed increases in BPA wholesale power rates and concern about future BPA rate stability have emphasized the need for continued resource planning. EWEB's Integrated Electric Resource Plan approved by the Board 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. Retail Rate Comparisons

A comparison of current 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 \$161.85 for EWEB in the figure is calculated using the existing residential rate. Sample bills for the residential rate proposal are shown in *Table 8*.

Residential Bill Comparison



Proposed rates and the resulting bills from this proposal amount to \$168.04 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 2014 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 percentage revenue increase needed to sustain operation of the electric utility, test period revenue requirements are a primary input to the Cost of Service Analysis (see Section V).

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.

Beginning with the 2012 budget development, EWEB management and staff utilized a different approach starting with scenario based budgeting and moved 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. For the 2013 budget, over 50 positions were eliminated, \$4 million in non-labor operations and maintenance was cut and over \$60 million in capital costs were deferred or eliminated.

Recognizing that EWEB's financial challenges had not been completely addressed by the 2013 budget work, in September 2012 the Leadership Team began identifying strategic financial initiatives and using the PBB process to enhance financial stability. At that time, in order to meet financial targets, "business as usual" was projected to result in 2014 rate increases of approximately 20 percent for the Electric Utility. Additional 2014 budget savings were realized by reducing 25 more positions, \$3.6 million in non-labor operations and maintenance and deferring or eliminating another \$20 million in capital. The additional savings plus a change in the Board target for debt service coverage ratio allowed for a reduction of the proposed rate increase from 20 percent to a 4 percent overall average rate increase in February. This allows EWEB financial metrics to be met in all years except 2019 which is due to the anticipated Carmen-Smith hydro generation outage. 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. 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 2014 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 2014 Proposed Electric Budget.

For the February 2014 rate study, staff was able to incorporate the projected sales, revenues and expenditure data from the proposed 2014 budget directly as a basis for this rate proposal.

Table 2 contains summaries of the revenue requirement for the 2014 test period to be recovered through proposed electric rates. Column "a" shows the financial results anticipated at current rates, while column "b" indicates the results obtained under staff's rate adjustment proposal. As discussed earlier, proposed rates are designed to increase rate revenues by 4.0 percent, in order to eliminate the deficits which would occur absent a rate adjustment. Column "c" reflects the percentage share of total revenues at proposed rates or costs represented by each category.

Table 2
Electric System Revenue Requirements
For 2014 Rate Test Period

	Revenues at Current Rates (a)	Revenues at Proposed Rates (b)	% of Total (c)
<u>Revenues</u>			
Rate Revenues	\$ 201,221,671	\$ 209,272,339	84.0%
Interest & Other Income	39,948,525	39,948,525	16.0%
Total	241,170,196	249,220,864	100.0%
<u>Expenditures</u>			
Production	12,843,796	12,843,796	5.2%
Purchased Power	106,851,203	106,851,203	42.9%
Transmission	13,474,140	13,474,140	5.4%
Distribution	17,470,327	17,470,327	7.0%
Customer Accounting	8,100,965	8,100,965	3.3%
Conservation	4,673,191	4,673,191	1.9%
Administrative & General	26,932,814	26,932,814	10.8%
Subtotal	190,346,436	190,346,436	76.4%
<u>Other Expenditures</u>			
CILT	12,556,232	13,078,442	5.2%
Construction & Capital	17,786,490	17,786,490	7.1%
Interest & Amortization	25,822,317	25,822,317	10.4%
Rate Deferral Adjustment	791,179	791,179	0.3%
Balance Sheet Changes	(5,033,000)	(5,033,000)	-2.0%
Deposit to/(Withdrawal from)			
Operating Reserves	6,429,000	6,429,000	2.6%
Subtotal	58,352,218	58,874,428	23.6%
Revenue Requirements	248,698,655	249,220,864	100.0%
Surplus / (Deficiency)	(7,528,458)	-	
CILT on Rate Increase	(522,210)		
Total Surplus / (Deficiency)	\$ (8,050,668)		
As a % of Rate Revenue	-4.0%	0.0%	

NOTE: COSA account mapping differs to some extent from budget mapping due to COSA adjustments.

The revenue requirements shown in *Table 2* become a primary input to the Cost of Service Analysis and, when allocated in an appropriate manner, comprise the basis for proposed rate levels and rate design for each retail rate schedule.

IV. SYSTEM LOAD AND SALES FORECAST

A. Overview of EWEB's 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 Power Resources & Strategic Planning Department 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 2014 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 2014 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. 2014 Forecast Results

1. The results of EWEB's forecast of sales for the 2014 rate test period are summarized briefly below:

Table 3
Test Period Forecast of Electric Utility
Customers & Sales by Rate Class
For 2014 Rate Test Period

Customer Class	Customer Counts	Energy Sales in MWH	% of Sales
Residential	79,367	964,039	40.4%
Small General Service	7,435	155,570	6.5%
Medium General Service	1,853	487,402	20.4%
Large General Service	55	223,553	9.4%
Very Large General Service	1	9,428	0.4%
Contract A	1	413,940	17.3%
Contract C	1	60,604	2.5%
Contract D	1	64,718	2.7%
Street Lighting	8	9,109	0.4%
Private Lighting	N/A	702	0.0%
Total	88,722	2,389,065	100.0%

NOTE: Energy Sales does not include line loss.

The above information represents a small increase in EWEB customers by the end of 2014, 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 2013.

The 2014 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

This section documents the procedures used in development of EWEB's Cost of Service study, and summarizes results for the 2014 rate test period.

A. EWEB's Cost of Service Standard

Over the years, cost-based principles have gained industry-wide acceptance as the fundamental standard for utility rate making. Cost of service consideration was also mandated by Congress, pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA).

By resolutions on May 7, 1979 and on July 17, 2007, the EWEB Commissioners adopted specific policy guidelines and costing procedures for use by staff in the development of retail electric rates. 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. As a practical matter, these formal resolutions only served to reaffirm EWEB's longstanding adherence to cost-based rate making.

B. Costing Methods and Procedures

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 deficiency 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 current analysis relies on anticipated electric system expenditures, retail sales and projected revenues contained in the 2014 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.

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.

C. Cost of Service Summary

EWEB projects total operating and capital costs of \$249 million for the 2014 rate test period. Offsetting sales revenue of \$201 million at current rates and other income of \$39.9 million leaves a remaining budget deficit of approximately \$7.5 million. After adjusting for higher Contributions in Lieu of Tax associated with the rate increase the total shortfall is \$8.0 million to be recovered through the proposed rate increase.

This \$8.0 million deficit translates directly to a 4.0 percent overall average 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 Analysis. COSA results by class are shown in *Table 4*.

Deviations from the overall average percent increase are the result of changes in customer use characteristics and cost relationships for the upcoming rate period.

Table 4
Test Period Forecast of Electric Utility
Customers & Sales by Rate Class
For 2014 Rate Test Period

Customer Class	Revenue at Current Rates	Allocated Cost of Service	Dollar Difference	Percent Difference
Residential	\$100,337,000	\$104,900,000	\$4,563,000	4.5%
Small General Service	16,383,000	17,586,000	1,203,000	7.3%
Medium General Service	39,438,000	42,160,000	2,722,000	6.9%
Large General Service	16,050,000	16,402,000	352,000	2.2%
** Very Large General Service	730,000	720,000	(10,000)	-1.4%
Street Lighting	996,000	1,011,000	15,000	1.5%
Private Lighting	114,000	117,000	4,000	3.3%
Total	\$174,048,000	\$182,896,000	\$8,848,000	

(*) Excludes contract customers

(**) Although the Very Large General Service Class indicates a small dollar difference between revenue and allocated cost, using the gradualism rate-making principle the proposal is for a 0% rate change.

The link between the Cost of Service study results and development of proposed rates is an analysis of unit costs. The unit cost calculations divide the major cost components for each customer class-demand, energy, and basic customer costs-by the estimated usage over the rate period. When normalized to the rate structure, unit costs give a preliminary indication of costs associated with each aspect of electric service. Unit costs are provided in *Table 5*.

Table 5
Unit Cost Calculations
(Normalized to Rate Structure)

Customer Class	Customer Cost (\$/Customer)	Demand Cost (\$/KW)	Delivery Cost (Cents/KWH)	Energy Cost (Cents/KWH)
*Residential	\$ 10.91		3.03	6.10
Small General Service	\$ 28.83	\$ 2.81	1.50	6.08
Medium General Service	\$ 43.25	\$ 5.73	0.58	5.43
Large General Service	\$ 642.12	\$ 6.12	0.32	4.76
Very Large General Service	\$ 1,080.46	\$ 6.00	0.26	5.94
Contract A	--	\$ 5.52	0.01	3.33
Contract C	--	\$ 5.06	0.20	4.34
Contract D	--	\$ 6.90	0.21	4.35
Street Lighting	\$ 0.96	--	3.91	3.38
Private Lighting	\$ 0.95	--	7.67	3.46

(*) Residential Energy Cost includes both power and transmission. Transmission appears in Demand Cost for other classes. The Residential Delivery Cost also includes demand related distribution, which appear in Demand Cost for other classes.

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. These recommendations have been developed on the basis of costs allocated to each rate class in the 2014 Cost of Service study as documented in the previous section. Proposed revenue requirements for each of EWEB's major customer classes are shown in the table below:

Table 6
Forecast of Electric Utility
Customers & Sales by Rate Class
For 2014 Rate Test Period

Customer Class	Rate Schedule(s)	Revenue Requirement	Percent Difference
Residential	R-6	\$104,899,958	4.5%
Small General Service	G-1	\$17,585,882	7.3%
Medium General Service	G-2	\$42,160,074	6.9%
Large General Service	G-3	\$16,402,139	2.2%
Very Large General Service	G-4	\$720,320	0.0%
Contract A	N/A	\$18,813,085	N/A
Contract C	N/A	\$3,637,794	6.5%
Contract D	N/A	\$3,924,848	3.8%
Street Lighting	J-3, J-4	\$1,010,934	1.5%
Private Lighting	L-3	\$117,305	3.3%
Overall Change	N/A	\$209,272,339	4.0%

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, 79,400 residential customers are served under this schedule.

In this proposal, the basic charge would increase to \$13.50 per month. The delivery rate would increase approximately 0.1 percent. The charges for tier 1 energy rates reflect would increase for both Summer and Winter and tiers 2 and 3 would have a small decrease as shown below in *Table 7*.

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 7*.

Table 7
Residential Service
Existing vs. Proposed Rates

	Existing Rates	Proposed Rates	Percent Difference
Basic Charge:	\$11.15	\$13.50	21.1%
Delivery Charge:	\$0.03191	\$0.03195	0.1%
Energy Charge:			
SUMMER			
First 800 kWh	\$0.05309	\$0.05796	9.2%
Next 900 kWh	\$0.07147	\$0.07132	-0.2%
Over 1,700 kWh	\$0.08509	\$0.08423	-1.0%
WINTER			
First 800 kWh	\$0.05309	\$0.05796	9.2%
Next 2,200 kWh	\$0.07147	\$0.07132	-0.2%
Over 3,000 kWh	\$0.08509	\$0.08423	-1.0%

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 third block attempts to capture only the top five percent of total class consumption. The second block price is designed to capture the remaining required revenue for this class of customers.

The effect of this rate design increases bills for virtually all customers. The overall average for the class is an increase of 4.5 percent. 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 8*.

Table 8
Residential Rate & Monthly Bill Comparison
Existing vs. Proposed Rates

	Current Rates				Proposed Rates					
	SUMMER		WINTER		SUMMER			WINTER		
Basic Charge:	\$11.15		\$11.15		\$13.50			\$13.50		
Delivery Charge:	\$0.03191		\$0.03191		\$0.03195			\$0.03195		
Power Charge:	First 800	0.05309	First 800	0.05309	First 800	0.05796		First 800	0.05796	
	Next 900	0.07147	Next 2,200	0.07147	Next 900	0.07132		Next 2,200	0.07132	
	Over 1,700	0.08509	Over 3,000	0.08509	Over 1,700	0.08423		Over 3,000	0.08423	
KWH USAGE	Current Bill		Current Bill		Proposed Dollar Bill	Percent Diff		Proposed Dollar Bill	Percent Diff	
0	\$11.15		\$11.15		\$13.50	\$2.35	21.1%	\$13.50	\$2.35	21.1%
50	15.40		15.40		18.00	\$2.60	16.9%	18.00	\$2.60	16.9%
100	19.65		19.65		22.49	\$2.84	14.5%	22.49	\$2.84	14.5%
200	28.15		28.15		31.48	\$3.33	11.8%	31.48	\$3.33	11.8%
500	53.65		53.65		58.46	\$4.81	9.0%	58.46	\$4.81	9.0%
1000	99.83		99.83		106.08	\$6.26	6.3%	106.08	\$6.26	6.3%
1050	105.00		105.00		111.25	\$6.25	6.0%	111.25	\$6.25	6.0%
1250	125.67		125.67		131.90	\$6.23	5.0%	131.90	\$6.23	5.0%
2000	207.29		203.21		213.23	\$5.93	2.9%	209.35	\$6.15	3.0%
3000	324.29		306.59		329.41	\$5.11	1.6%	312.62	\$6.04	2.0%
4000	441.29		423.59		445.59	\$4.29	1.0%	428.80	\$5.22	1.2%
5000	558.29		540.59		561.77	\$3.47	0.6%	544.98	\$4.40	0.8%
7000	792.29		774.59		794.13	\$1.83	0.2%	777.34	\$2.76	0.4%
10000	1,143.29		1,125.59		1,142.67	(\$0.63)	-0.1%	1,125.88	\$0.30	0.0%

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 7,400 commercial and industrial 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.

Similar to the residential rate design, the basic charge and delivery charges for Small General Service would increase for both single-phase and three-phase services. The basic charge for a single-phase service would increase from \$19.84 to \$22.50 per month. The delivery charge would increase to \$0.03490 for the first 1,750 kWh and \$.00129 for kWh over 1,750. The energy charges would increase from \$0.06314 to \$0.06732 per kWh. Existing and proposed rates are compared in *Table 9*.

Billing impacts for this customer class represent increases for all consuming customers (see *Table 10*). The overall increase proposed for this customer class is 7.3 percent.

Table 9

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

	Existing Rates	Proposed Rates	Percent Difference	
Basic Charge				
Single-Phase	\$19.84	\$22.50	13.4%	per month
Three-Phase	\$29.35	\$33.25	13.3%	per month
Demand Charge				
First 10 kW	No Charge	No Charge		per kW
Over 10 kW	\$6.050	\$6.950	14.9%	per kW
Delivery Charge				
First 1,750 kWh	\$0.03275	\$0.03490	6.6%	per kWh
Additional kWh	0.00121	0.00129	6.6%	per kWh
Energy Charge				
All kWh	\$0.06314	\$0.06732	6.6%	per kWh

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Table 10

Rate and Monthly Bill Comparison
SMALL GENERAL SERVICE
SCHEDULE G-1
COMPARED WITH EXISTING RATE

KWH LEVEL	10 KW			20 KW			30 KW		
	Old Rates	New Rates	Percent Diff	Old Rates	New Rates	Percent Diff	Old Rates	New Rates	Percent Diff
500	\$67.79	\$73.61	8.6%	--	--	--	--	--	--
750	91.76	99.17	8.1%	--	--	--	--	--	--
1,000	115.73	124.72	7.8%	\$176.23	\$194.22	10.2%	--	--	--
1,200	134.91	145.16	7.6%	195.41	214.66	9.9%	--	--	--
1,500	163.68	175.83	7.4%	224.18	245.33	9.4%	--	--	--
2,000	203.74	218.54	7.3%	264.24	288.04	9.0%	\$324.74	\$357.54	10.1%
2,500	235.91	252.84	7.2%	296.41	322.34	8.7%	356.91	391.84	9.8%
3,000	268.09	287.15	7.1%	328.59	356.65	8.5%	389.09	426.15	9.5%
3,500	300.26	321.45	7.1%	360.76	390.95	8.4%	421.26	460.45	9.3%
4,000	332.44	355.76	7.0%	392.94	425.26	8.2%	453.44	494.76	9.1%
6,000	461.14	492.98	6.9%	521.64	562.48	7.8%	582.14	631.98	8.6%
8,000	--	--	--	650.34	699.70	7.6%	710.84	769.20	8.2%
10,000	--	--	--	779.04	836.92	7.4%	839.54	906.42	8.0%
12,000	--	--	--	907.74	974.14	7.3%	968.24	1,043.64	7.8%
15,000	--	--	--	1,100.79	1,179.97	7.2%	1,161.29	1,249.47	7.6%
17,500	--	--	--	1,261.66	1,351.49	7.1%	1,322.16	1,420.99	7.5%

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 1,900 commercial and industrial 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.

Under staff's proposal, the basic charges for Medium General Service would increase for both single-phase and three-phase for secondary, from \$33.37 to \$37.30 per month for a single-phase customer, and from \$51.74 to \$57.85 per month for a three-phase customer. The primary charge will increase from \$3,005 per month to \$3,360 per month. The secondary and primary demand charges would increase to \$7.25 and \$7.10 per kW, respectively. The proposed power charges for Secondary and Primary Service would increase from \$0.05728 and \$0.05646 per kWh to \$0.06084 and \$0.05996 per kWh, respectively. Existing and proposed rates are compared in *Table 11*.

The overall increase proposed for this customer class is 6.9 percent. A distribution of bill impacts for the Medium General Service class of customers is shown in *Table 12*.

Table 11
Medium General Service
Existing Rates vs. Proposed Rates
(31 - 500 Monthly KW)

	Existing Rates			Proposed Rates		
	Secondary	Primary		Secondary	Primary	
Basic Charge						
Single-Phase	\$33.37	---		\$37.30	---	per month
Three-Phase	\$51.74	\$3,005		\$57.85	\$3,360	per month
Demand Charge						
First 300 KW	\$6.610	---		\$7.250	---	per kW
Over 300 KW	\$6.610	\$6.460		\$7.250	\$7.100	per kW
Energy Charge						
All kWh	\$0.05728	\$0.05646		\$0.06084	\$0.05996	per kWh

EUGENE WATER & ELECTRIC BOARD
Rate and Monthly Bill Comparison

Table 12

**MEDIUM GENERAL SERVICE
SCHEDULE G-2
COMPARED WITH EXISTING RATE
(Secondary Service)**

KWH LEVEL	20 kW			100 kW			500 kW		
	Old Rates	New Rates	Percent Diff	Old Rates	New Rates	Percent Diff	Old Rates	New Rates	Percent Diff
2,000	\$299	\$325	8.7%	--	--	--	--	--	--
2,500	327	355	8.5%	--	--	--	--	--	--
3,000	356	385	8.3%	--	--	--	--	--	--
3,500	384	416	8.2%	--	--	--	--	--	--
4,000	413	446	8.0%	--	--	--	--	--	--
6,000	528	568	7.6%	--	--	--	--	--	--
8,000	642	690	7.4%	\$1,171	\$1,270	8.4%	--	--	--
10,000	757	811	7.2%	1,286	1,391	8.2%	--	--	--
12,000	871	933	7.1%	1,400	1,513	8.1%	--	--	--
15,000	1,043	1,115	6.9%	1,572	1,695	7.9%	--	--	--
17,500	1,186	1,268	6.8%	1,715	1,848	7.7%	--	--	--
20,000	1,330	1,420	6.8%	1,858	2,000	7.6%	--	--	--
22,500	1,473	1,572	6.7%	2,002	2,152	7.5%	--	--	--
25,000	1,616	1,724	6.7%	2,145	2,304	7.4%	--	--	--
27,500	1,759	1,876	6.6%	2,288	2,456	7.3%	--	--	--
30,000	1,902	2,028	6.6%	2,431	2,608	7.3%	--	--	--
32,500	2,046	2,180	6.6%	2,574	2,760	7.2%	\$5,218	\$5,660	8.5%
35,000	--	--	--	2,718	2,912	7.2%	5,362	5,812	8.4%
40,000	--	--	--	3,004	3,216	7.1%	5,648	6,116	8.3%
60,000	--	--	--	4,150	4,433	6.8%	6,794	7,333	7.9%
80,000	--	--	--	--	--	--	7,939	8,550	7.7%
100,000	--	--	--	--	--	--	9,085	9,767	7.5%
120,000	--	--	--	--	--	--	10,230	10,984	7.4%
150,000	--	--	--	--	--	--	11,949	12,809	7.2%
180,000	--	--	--	--	--	--	13,667	14,634	7.1%
200,000	--	--	--	--	--	--	14,813	15,851	7.0%

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 55 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.

Under staff's proposal, the basic charges for Large General Service would increase from \$2,630 to \$2,690 per month for a secondary customer, and from \$2,559 to \$2,615 per month for a primary customer. The secondary and primary demand charges would increase from \$7.38 to \$7.50 per kW for secondary and from \$7.17 to \$7.30 for primary. Secondary and primary energy charges would increase for secondary customers from \$0.04717 to \$0.04823 per kWh and for primary customers would increase from \$0.04632 to \$0.04730 per kWh.

The overall increase proposed for this customer class is 2.2 percent. A comparison of existing and proposed rates and the distribution of bill impacts for the Large General Service class of customers are shown in *Tables 13 & 14*.

Table 13
Large General Service
Existing Rates vs. Proposed Rates
(501 - 10,000 Monthly KW)

	Existing Rates			Proposed Rates		
	Secondary	Primary		Secondary	Primary	
Basic Charge	\$2,630	\$2,559		\$2,690	\$2,615	per month
Demand Charge						
First 300 KW	---	---		---	---	per KW
Over 300 KW	\$7.380	\$7.170		\$7.500	\$7.300	per KW
Energy Charge						
All kWh	\$0.04717	\$0.04632		\$0.04823	\$0.04730	per kWh

EUGENE WATER & ELECTRIC BOARD
Rate and Monthly Bill Comparison

Table 14

**LARGE GENERAL SERVICE
SCHEDULE G-3
COMPARED WITH EXISTING RATE**
(Primary Service)

KWH LEVEL	500 kW			1000 kW			3000 kW		
	Old Rates	New Rates	Percent Diff	Old Rates	New Rates	Percent Diff	Old Rates	New Rates	Percent Diff
40,000	\$5,993	\$6,119	2.1%						
60,000	6,936	7,084	2.1%	--	--	--	--	--	--
80,000	7,880	8,048	2.1%	--	--	--	--	--	--
100,000	8,823	9,013	2.2%	\$12,513	\$12,763	2.0%	--	--	--
150,000	11,182	11,425	2.2%	14,872	15,175	2.0%	--	--	--
200,000	13,540	13,836	2.2%	17,230	17,586	2.1%	--	--	--
250,000	15,899	16,248	2.2%	19,589	19,998	2.1%	--	--	--
300,000	18,257	18,659	2.2%	21,947	22,409	2.1%	--	--	--
350,000	20,616	21,071	2.2%	24,306	24,821	2.1%	\$39,066	\$39,821	1.9%
500,000	--	--	--	31,381	32,055	2.1%	46,141	47,055	2.0%
600,000	--	--	--	36,098	36,878	2.2%	50,858	51,878	2.0%
700,000	--	--	--	40,815	41,701	2.2%	55,575	56,701	2.0%
800,000	--	--	--	--	--	--	60,292	61,524	2.0%
1,000,000	--	--	--	--	--	--	69,726	71,170	2.1%
1,500,000	--	--	--	--	--	--	93,311	95,285	2.1%
2,000,000	--	--	--	--	--	--	116,896	119,400	2.1%

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.

Under staff's proposal, all current charges will remain unchanged. The basic charges for Large General Service are \$2,717 per month for a secondary customer and \$2,645 per month for a primary customer. The secondary and primary demand charges are \$7.17 per kW for secondary and \$6.97 for primary. Secondary and primary energy charges are \$0.06517 per kWh.

There is no proposed rate change for this customer class.

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. In November 1981, EWEB's Commissioners passed a resolution declaring that ownership of the street lighting fixtures and lamps would pass to the street lighting customers then receiving service under Street Lighting Rate Schedules I-1, J-1 and J-2. The resolution further stated that EWEB would offer such customers electric energy for the operation of these lights at rates consistent with EWEB's ongoing service costs.

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.

Shortly after EWEB's transfer of street light ownership, most of the agencies which assumed ownership became involved in a BPA-funded conservation program intended to convert all incandescent and mercury vapor street lighting fixtures to high efficiency "high pressure sodium" and "metal halide." The replacement fixtures provide more light for the same (or less) energy input. As fixtures were replaced, lighting intensity was maintained (or increased), resulting in the ability to maintain or increase total illumination, but decrease total energy requirements.

The Board approved two street light energy rates at the time of the ownership transfer. At that time, the vast majority of the agency charges were based on the Mercury Vapor Schedule (J-3), which carries higher energy rates per type of fixture than does the High Pressure Sodium (HPS) Schedule (J-4) because mercury vapor fixtures consume more energy for the same or less illumination. However, since 1981 the majority of agency-owned lamps have now been converted to the newer, more efficient HPS models.

There are approximately 11,400 street lights served on the EWEB system. It is estimated that agency streetlights will consume 9.1 million kilowatt-hours during 2014. 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. Rates for Schedules J-3 and J-4 are designed to produce a 1.5 percent increase in agency lighting revenues, in accordance with the 2014 Cost of Service study results.

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 702,000 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.

Cost of Service results show the need for an overall 3.3 percent increase in lighting rates. 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.

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 kW of either new or incremental demand. Customers taking service must first be approved for participation in EWEB's Business Growth & Retention Program based on attributes the project brings to the community. Attributes include job creation or retention, participation in EWEB programs, social equity, environmental impacts and overall economic prosperity.

2. Rate

The BGR-1 Rider shall be calculated by subtracting the average ICE Mid-C Flat daily 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 incentive is only available when the retail rate is greater than wholesale rate.

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 every six months in January and July each year. 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.

6. General Terms and Conditions

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



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

February 2014 Water Rate Proposal

**Fiscal Services Department
December 2013**

EUGENE WATER & ELECTRIC BOARD
2014 Water Rate Proposal

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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 2014. The most recent changes to water rates occurred in February 2013, with an overall average increase of 20%. As proposed, the 2014 Water Rate Proposal is for an overall average increase of 3%. This increase is included in the 2014 proposed budget.

In 2012 a comprehensive rate design study was performed and incorporated into the 2013 rate proposal. The study was recommended by management in an effort to design rates that reduced revenue volatility; provided adequate funds for operations and capital infrastructure projects and reserves; maintained systems and level of service; and provided for cost-based, equitable and simple rates.

Drivers for the proposed rate increase are in part due to continued low consumption and the deferral of 10% of the recommended 30% 2013 rate increase. The 2014 proposed budget assumes net consumption of 7.4 million kgals which is equivalent to the 2013 budget and slightly lower than actual 2012 consumption and 2013 projected consumption.

In keeping with proposed 2014 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:

<u>Customer Class</u>	<u>Rate Schedule</u>	<u>Increase Proposed</u>
Residential – Inside/Outside City	R-1, R-2	3.0%
General Service – Inside/Outside City	G-1, G-2	3.0%
River Road and Santa Clara WD	4	4.0%
Willamette Water Company WD	5	3.0%
Private Fire Lines		3.0%
Elevation Charges		3.0%
Overall Average Increase		3.0%

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, 2014 with the exception of the Water Districts. Consistent with 2013, the Water Districts' rate increase will become effective July 1, 2014.

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.

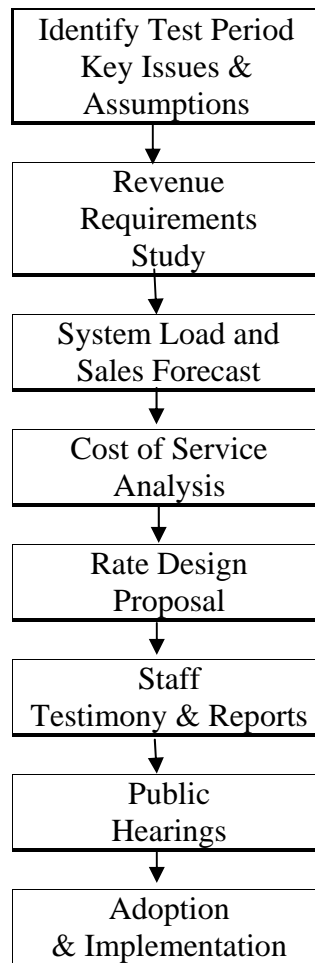
The second standard requires that rates and charges for utility service be fair and non-discriminatory. Rates are considered non-discriminatory when customers receiving like and synchronous service under similar circumstances are treated equally in the development and application of specific rates. This 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. Based on the extensive cost of service analysis performed in 2013 by water rate design Consultants and the small change in the 2014 revenue requirement, no Cost of Service was performed for 2014. A detailed Cost of Service will be prepared for the 2015 rate proposal. 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:

<u>Publication Name</u>	<u>Date</u>
The Register-Guard	September 30, 2013
The Register-Guard	November 1, 2013

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 5, 2013 at 5:30 p.m. and Tuesday, December 3, 2013 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, PO Box 10148, Eugene, OR 97440 or by email to Budget@EWEB.org. For timely consideration, written comments must be received prior to December 2, 2013 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 2014 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, 2014.

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

November 5, 2013 - 5:30 p.m.
December 3, 2013 - 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, 2013, 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 November 5, 2013.

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:

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

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.

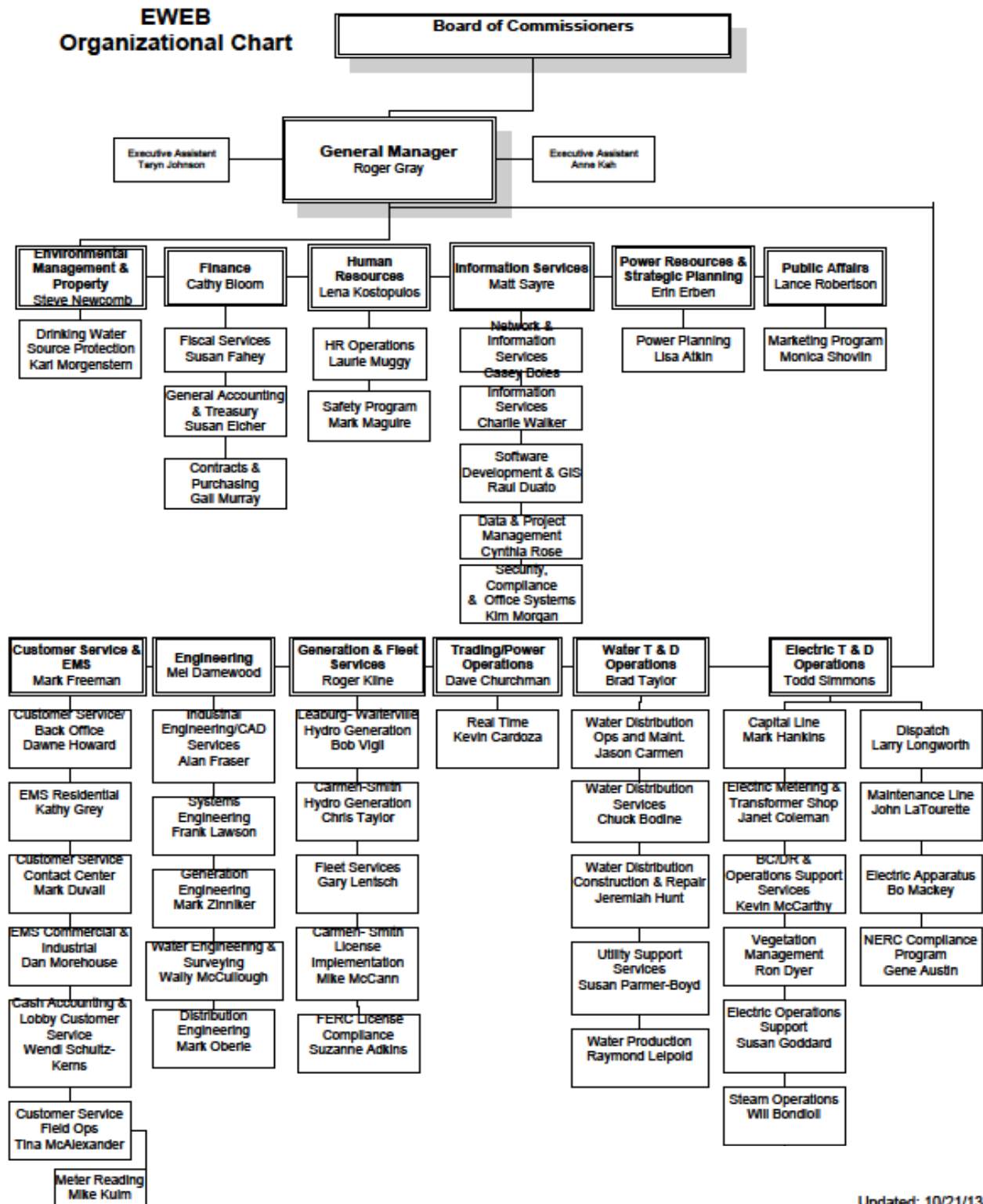
Under the direction of General Manager Roger Gray and the leadership staff, EWEB employed 524 combined electric and water personnel as of third quarter 2013. EWEB's organization chart is shown as Figure 2. The executive and leadership staff, responsible for each of the major operating areas, is as follows:

<u>Executive</u> Roger Gray	<u>Department</u> General Manager
<u>Leadership Team</u> Steve Newcomb Cathy Bloom Lena Kostopulos Matt Sayre Erin Erben Lance Robertson Mark Freeman Mel Damewood Roger Kline Dave Churchman Brad Taylor Todd Simmons	<u>Areas of Responsibility</u> Environmental Management Financial Services Human Resources Information Services Power Resources & Strategic Planning Public Affairs Customer Service & Energy Management Services Engineering Generation & Fleet Services Trading & Power Operations Water Operations Electric Transmission & Distribution Operations

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 weekly 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. The survey included questions designed to specifically determine customer spending priorities. The successful Customer Care program continues to assist restricted-income customers in paying their bills. Other feedback comes from the comment forms at the office lobby, on the back of monthly bills, and via online Ask Us. These and other activities reaffirm EWEB's longstanding commitment to the citizens of the Eugene community.

Figure 2



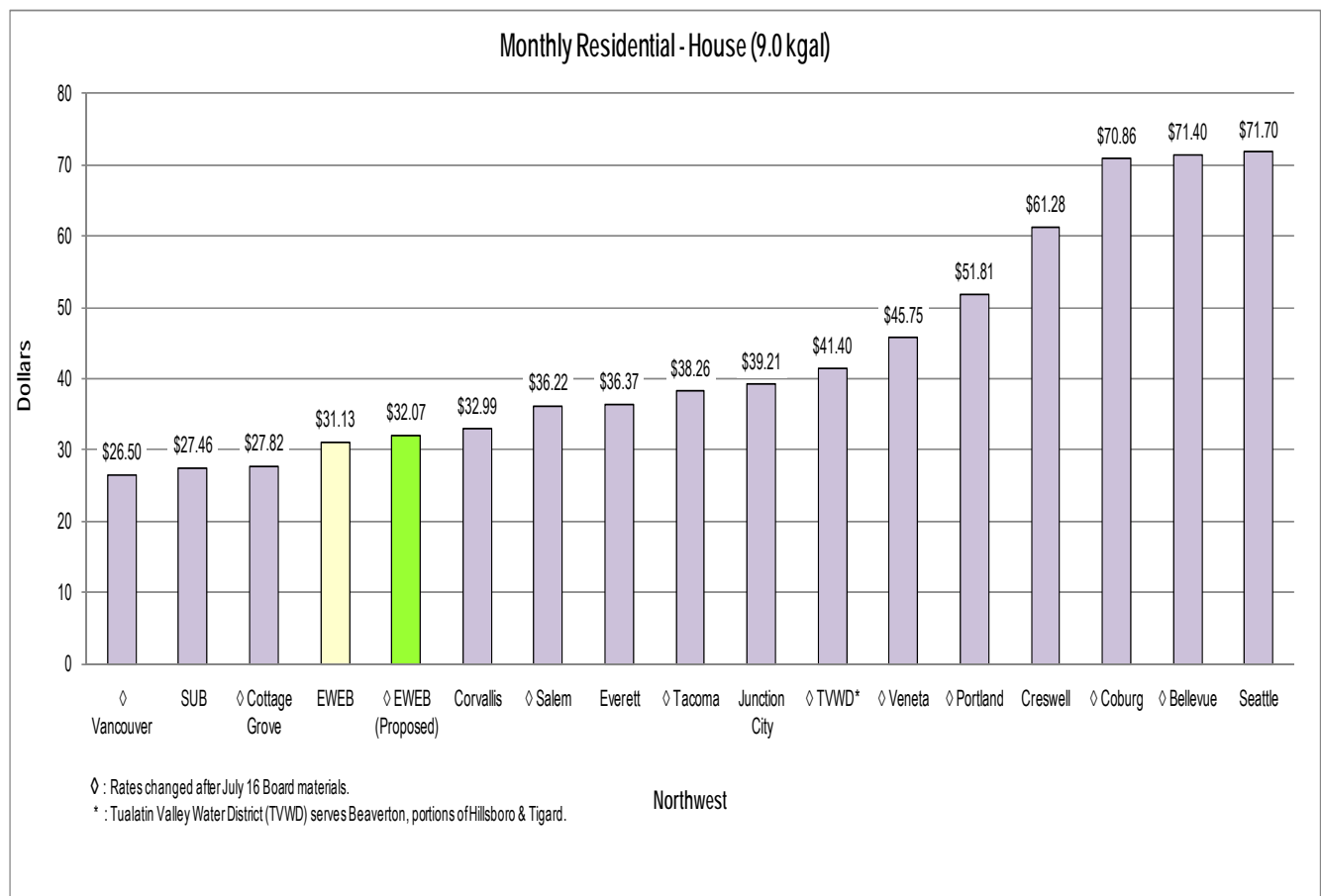
B. Water System Highlights

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 \$31.13 for EWEB in the figure is calculated using the existing residential rate.



III. REVENUE REQUIREMENTS STUDY

This section contains a general description of EWEB's annual budgeting process. It includes the documentation of EWEB's 2014 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.

Beginning with the 2012 budget development, EWEB management and staff utilized a different approach starting 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. For the 2013 budget, over 50 positions were eliminated, \$4 million in non-labor operations and maintenance was cut and over \$60 million in capital costs were deferred or eliminated.

Recognizing that EWEB's financial challenges had not been completely addressed by the 2013 budget work, in September 2012 the Leadership Team began identifying strategic financial initiatives and using the PBB process to enhance financial stability. At that time, in order to meet financial targets, "business as usual" was projected to result in 2014 rate increases of approximately 15% for the Water Utility. Additional 2014 budget savings were realized by reducing 25 more positions, \$3.6 million in non-labor operations and maintenance and deferring or eliminating another \$20 million in capital. The additional savings allowed for a reduction of the proposed rate increase from 15% to a 3% overall average rate increase in February. All levels of the EWEB organization are involved in preparation of the annual Water Utility Budget in order to place responsibility for cost control on the 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 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. 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 2014 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 2014 proposed Water Utility Budget. For the February 2014 rate study, staff incorporated the projected sales, revenues and expenditure data from the proposed 2014 budget directly as a basis for this rate proposal.

Table 1 contains a summary of the revenue requirements for the 2014 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 3%, 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 2014 Rate Test Period

	Current Rates (a)	Revenues at Proposed Rates (b)	% of Total (c)
Revenues			
Rate Revenues	\$ 30,677,000	\$31,625,000	80.54%
Bond Proceeds, Interest, and Other Income ¹	<u>7,639,000</u>	<u>7,639,000</u>	<u>19.46%</u>
Total	<u>38,316,000</u>	<u>39,264,000</u>	100.00%
Expenditures			
Operation & Maintenance			
Source of Supply	54,000	54,000	0.30%
Pumping	1,808,000	1,808,000	9.94%
Power for Pumping	585,000	585,000	3.22%
Purification	2,776,000	2,776,000	15.27%
Transmission & Distribution	7,119,000	7,119,000	39.15%
Customer Accounting	1,669,000	1,669,000	9.18%
Conservation	239,000	239,000	1.31%
Administrative & General	<u>3,933,000</u>	<u>3,933,000</u>	<u>21.63%</u>
Subtotal	18,183,000	18,183,000	46.31%
Other Expenditures			
Construction & Capital ²	12,728,000	12,728,000	69.28%
Debt Service, Interest, and Amortization	5,697,000	5,697,000	31.01%
Balance Sheet Changes	<u>(53,000)</u>	<u>(53,000)</u>	<u>-0.29%</u>
Subtotal	18,372,000	18,372,000	46.79%
To Working Cash/Operating Reserves	<u>2,709,000</u>	<u>2,709,000</u>	<u>6.90%</u>
Revenue Requirements	39,264,000	39,264,000	100.00%
Surplus / (Deficiency)	(\$948,000)	\$0	
As a % of Rate Revenue	-3%	0%	

¹Includes System Development Charge Revenue

²Includes 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 2014 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 2014 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. 2014 Forecast Results

The results of EWEB's forecast of sales for the 2014 rate test period are summarized briefly below:

Table 2
Test Period Forecast of Water Utility
Customers & Sales by Rate Class
For January through December 2014

Customer Class	Count	Kgal Sales (1,000 Gallons)	% of Sales
Residential - Inside City **	46,196	3,595,681	48.3%
Residential - Outside City **	490	47,634	0.6%
General Service - Inside City **	5,191	2,948,749	39.6%
General Service - Outside City **	199	137,322	1.8%
Water Districts	2	614,184	8.3%
Willamette Water Company	1	27,392	0.4%
City of Veneta	2	68,764	0.9%
Private Fire Lines	1,010	N/A	N/A
Total	53,091	7,439,726	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 2014 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 \$39.2 million for the 2014 rate test period. A net revenue requirement of \$31.6 million remains after applying a \$7.6 million credit for bond proceeds, interest earnings and other non-rate revenues. At current rates, offsetting water sales revenue of \$30.7 million leaves a remaining budget deficit of approximately \$900,000 to be recovered through the proposed rate increase.

This \$900,000 deficit translates directly to an increase in required rate revenues during the test period. In the test period 2014, a Cost of Service study was not performed. Given the extensive nature of the work performed in 2013, and the small increase in revenue requirements, a Cost of Service study was not necessary for 2014. Accordingly, management is recommending a 3% increase across the classes. The Water District rate increase is slightly higher due to the July 1st implementation date.

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.

Table 3
2014 Proposed Revenue
by Customer Class

Customer Class	Rate Schedule (s)	Revenue Requirement	Proposed Rate Revenue	Proposed Rate Change
Residential **	R-1, R-2	\$ 17,206,039	\$ 17,600,126	3.0%
General Service **	G-1, G-2	11,046,913	11,484,921	3.0%
Water Districts	4	1,534,783	1,631,154	4.0%
Willamette Water Company	5	93,081	100,175	3.0%
City of Veneta	6	87,000	89,610	3.0%
Private Fire Lines		709,000	721,756	3.0%
Total		\$30,676,816	\$31,627,742	3.0%

***Elevation Charges included in Residential and General 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 4*. The \$1, \$3 or \$5 elevation monthly base charge depending on pumping level is proposed to remain the same. *Table 5* 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 6-9* provide information on the calculation of revenues at current and proposed rates.

Table 4
Water
Residential Service –Within City Limits, SCHEDULE R-1
Existing vs. Proposed Rates

	Existing Rates	Proposed Rates	
Basic Charge			
5/8"	\$16.50	\$17.00	per month
3/4"	\$17.17	\$17.69	per month
1"	\$22.27	\$22.94	per month
1-1/2"	\$34.08	\$35.10	per month
2"	\$61.06	\$62.89	per month
3"	\$137.55	\$141.68	per month
Volume Charge			
First 8 kgal	\$1.510	\$1.555	per kgal
Next 22 kgal	\$2.550	\$2.627	per kgal
over 30 kgal	\$4.130	\$4.254	per kgal
Elevation Charge			
Pumping Level 1	\$0.220	\$0.231	per kgal
Pumping Level 2	\$0.440	\$0.462	per kgal
Pumping Level 3	\$0.650	\$0.683	per kgal




Table 5
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	\$16.50	\$17.00	\$0.50	3.0%
	1	\$18.01	\$18.56	0.54	3.0%
	2	\$19.52	\$20.11	0.59	3.0%
	3	\$21.03	\$21.67	0.63	3.0%
	4	\$22.54	\$23.22	0.68	3.0%
	5	\$24.05	\$24.78	0.72	3.0%
	6	\$25.56	\$26.33	0.77	3.0%
	7	\$27.07	\$27.89	0.81	3.0%
	8	\$28.58	\$29.44	0.86	3.0%
	9	\$31.13	\$32.07	0.94	3.0%
	10	\$33.68	\$34.69	1.01	3.0%
	12	\$38.78	\$39.95	1.17	3.0%
	15	\$46.43	\$47.83	1.40	3.0%
	20	\$59.18	\$60.96	1.78	3.0%
	25	\$71.93	\$74.10	2.17	3.0%
	30	\$84.68	\$87.23	2.55	3.0%
	35	\$105.33	\$108.50	3.17	3.0%
	40	\$125.98	\$129.77	3.79	3.0%
	45	\$146.63	\$151.04	4.41	3.0%

PRESENT RATES		PROPOSED RATES	
<u>Basic Charge</u>		<u>Basic Charge</u>	
5/8"	\$16.50	5/8"	\$17.00
1"	22.27	1"	22.94
1 1/2"	34.08	1 1/2"	35.10
2"	61.06	2"	62.89
<u>Volume \$/gallons</u>		<u>Volume \$/gallons</u>	
First 8,000 gallons	\$1.51	First 8,000 gallons	\$1.56
Next 22,000 gallons	\$2.55	Next 22,000 gallons	\$2.63
All over 30,000 gallons	\$4.13	All over 30,000 gallons	\$4.25

Table 6
Calculation of the Revenues at Present and Proposed Rates
SCHEDULE R-1 - Residential Water Service Inside City Limits
 Estimated 12 Months Ended December 31, 2014

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates ^[1]	Proposed Charge	Proposed Annual Revenue ^[1]
BASIC CHARGE						
5/8"	42,401	508,812	\$16.50	\$8,237,666	\$17.00	\$8,628,604
3/4"	218	2,616	\$17.17	\$44,073	\$17.69	\$46,164
1"	3,477	41,724	\$22.27	\$911,739	\$22.94	\$954,819
1 - 1/2"	94	1,128	\$34.08	\$37,720	\$35.10	\$39,497
2"	6	72	\$61.06	\$4,314	\$62.89	\$4,517
Total	46,196	554,352		\$9,235,512		\$9,673,600
VOLUME CHARGE						
First 8,000 gallons	63.3% 	2,277,603	\$1.510	\$3,408,231	\$1.555	\$3,533,935
Next 22,000 gallons	28.6% 	1,028,173	2.550	2,616,247	2.627	2,699,598
Over 30,000 gallons	8.1% 	289,905	4.130	1,193,833	4.254	1,232,380
Total		3,595,681		\$7,218,310		\$7,465,913
Total Calculated Revenue				\$16,453,822		\$17,139,513
Revenue Increase						\$685,691

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

Table 7
Calculation of the Revenues at Present and Proposed Rates
SCHEDULE R-2 - Residential Water Service Outside City Limits
 Estimated 12 Months Ended December 31, 2014

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates ^[1]	Proposed Charge	Proposed Annual Revenue ^[1]
BASIC CHARGE						
5/8"	424	5,088	\$21.45	\$107,336	\$22.10	\$112,169
3/4"	2	24	\$22.30	\$528	\$23.00	\$551
1"	59	708	\$28.95	\$20,197	\$29.80	\$21,048
1 - 1/2"	4	48	\$44.30	\$2,096	\$45.65	\$2,186
2"	1	12	\$79.40	\$940	\$81.75	\$979
Total	490	5,880		\$131,097		\$136,933
VOLUME CHARGE						
First 8,000 gallons	62.9%	29,969	\$1.963	\$60,382	\$2.022	\$60,466
Next 22,000 gallons	28.9%	13,758	\$3.315	45,453	3.415	46,960
Over 30,000 gallons	8.2%	3,907	\$5.369	20,728	5.530	21,591
Total		47,634		\$126,563		\$129,017
Total Calculated Revenue				\$257,659		\$265,949
Revenue Increase						\$8,290

[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
ELEVATION CHARGES - Consumption Charges
Estimated 12 Months Ended December 31, 2014

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	\$0.220	\$90,718	\$0.231	\$95,410
2	All KGAL	212,170	\$0.440	\$92,947	\$0.462	\$97,766
3	All KGAL	126,107	\$0.650	\$81,651	\$0.683	\$85,903
Total		752,389		\$265,317		\$279,079
Residential Inside City						
1	All KGAL	2,420	\$0.220	\$530	\$0.231	\$558
2	All KGAL	7,271	\$0.440	\$3,186	\$0.462	\$3,351
3	All KGAL	12,540	\$0.650	\$8,120	\$0.683	\$8,543
Total		22,231		\$11,836		\$12,451
General Service Inside City						
1	All KGAL	68,623	\$0.220	\$15,029	\$0.231	\$15,808
2	All KGAL	15,075	\$0.440	\$6,602	\$0.462	\$6,945
3	All KGAL	5,991	\$0.650	\$3,878	\$0.683	\$4,080
Total		89,689		\$25,509		\$26,834
General Service Outside City						
1	All KGAL	1,151	\$0.220	\$252	\$0.231	\$265
2	All KGAL	0	\$0.440	\$0	\$0.462	\$0
3	All KGAL	592	\$0.650	\$383	\$0.683	\$403
Total		1,743		\$634		\$668
Total Calculated Revenue				\$303,296		\$319,031

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

Table 9
Calculation of the Revenues at Present and Proposed Rates
ELEVATION CHARGES - Meter Charges
 Estimated 12 Months Ended December 31, 2014

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	\$1.00	\$66,780
2	2,399	28,788	\$3.00	\$86,364	\$3.00	\$86,364
3	951	11,412	\$5.00	\$57,060	\$5.00	\$57,060
Total	8,915	106,980		\$210,204		\$210,204
Residential Outside City						
1	24	288	\$1.00	\$288	\$1.00	\$95,410
2	62	744	\$3.00	\$2,232	\$3.00	\$97,766
3	78	936	\$5.00	\$4,680	\$5.00	\$85,903
Total	164	1,968		\$7,200		\$279,079
General Service Inside City						
1	102	1,224	\$1.00	\$1,224	\$1.00	\$1,224
2	26	312	\$3.00	\$936	\$3.00	\$936
3	11	132	\$5.00	\$660	\$5.00	\$660
Total	139	1,668		\$2,820		\$2,820
General Service Outside City						
1	3	36	\$1.00	\$36	\$1.00	\$36
2	1	12	\$3.00	\$36	\$3.00	\$36
3	1	12	\$5.00	\$60	\$5.00	\$60
Total	5	60		\$132		\$132
Total Calculated Revenue - Fixed				\$213,156		\$213,156

[1] Present and proposed revenues include one month at prior rates and eleven months at existing/proposed 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 10 provides information on revenues at existing rates and revenues at proposed rates. *Table 11* provides information on monthly bill comparisons at existing and proposed rates.

Table 10
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, 2014

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates ^[1]	Proposed Charge	Proposed Annual Revenue ^[1]
BASIC CHARGE						
5/8"	1,795	21,540	\$16.50	\$347,297	\$17.00	\$365,283
3/4"	40	480	\$17.17	\$8,060	\$17.69	\$8,470
1"	1,473	17,676	\$22.27	\$384,836	\$22.94	\$404,501
1 - 1/2"	1,003	12,036	\$34.08	\$400,989	\$35.10	\$421,441
2"	555	6,660	\$61.06	\$397,508	\$62.89	\$417,832
3"	101	1,212	\$137.55	\$162,905	\$141.68	\$171,299
4"	55	660	\$234.85	\$151,462	\$241.90	\$159,266
6"	99	1,188	\$352.40	\$409,096	\$362.97	\$430,162
8"	67	804	\$510.10	\$400,758	\$525.40	\$421,397
10"	3	36	\$720.45	\$25,344	\$742.06	\$26,649
Total	5,191	62,292		\$2,688,254		\$2,826,299
VOLUME CHARGE						
All KGAL (1,000 gallons)	2,948,749		\$2.590	\$7,582,108	\$2.668	\$7,853,861
Total Calculated Revenue				\$10,270,362		\$10,680,160
Average Cost per KGAL (1,000 gallons)						\$3.62

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

Table 11
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	\$16.50	\$17.00	3.0%												
5	29.45	30.34	3.0%												
10	42.40	43.68	3.0%	\$48.17	\$49.62	3.0%									
15	55.35	57.02	3.0%	61.12	62.96	3.0%									
20	68.30	70.36	3.0%	74.07	76.30	3.0%	\$112.86	\$116.25	3.0%						
25	81.25	83.70	3.0%	87.02	89.64	3.0%	125.81	129.59	3.0%						
30	94.20	97.04	3.0%	99.97	102.98	3.0%	138.76	142.93	3.0%						
40	120.10	123.72	3.0%	125.87	129.66	3.0%	164.66	169.61	3.0%						
50	146.00	150.40	3.0%	151.77	156.34	3.0%	190.56	196.29	3.0%	\$364.35	\$375.30	3.0%			
75				216.52	223.04	3.0%	255.31	262.99	3.0%	429.10	442.00	3.0%			
100				281.27	289.74	3.0%	320.06	329.69	3.0%	493.85	508.70	3.0%	\$611.40	\$629.77	3.0%
200				540.27	556.54	3.0%	579.06	596.49	3.0%	752.85	775.50	3.0%	870.40	896.57	3.0%
250				669.77	689.94	3.0%	708.56	729.89	3.0%	882.35	908.90	3.0%	999.90	1,029.97	3.0%
500							1,356.06	1,396.89	3.0%	1,529.85	1,575.90	3.0%	1,647.40	1,696.97	3.0%
750										2,177.35	2,242.90	3.0%	2,294.90	2,363.97	3.0%
1,000										2,824.85	2,909.90	3.0%	2,942.40	3,030.97	3.0%
1,500													4,237.40	4,364.97	3.0%
2,000													5,532.40	5,698.97	3.0%
2,500													6,827.40	7,032.97	3.0%

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

Table 12
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, 2014

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	\$21.45	\$20,758	\$22.10	\$21,693
3/4"	0	0	\$22.30	\$0	\$23.00	\$0
1"	40	480	\$28.95	\$13,693	\$29.80	\$14,270
1 - 1/2"	18	216	\$44.30	\$9,434	\$45.65	\$9,836
2"	14	168	\$79.40	\$13,162	\$81.75	\$13,701
3"	5	60	\$178.80	\$10,544	\$184.20	\$11,025
4"	3	36	\$305.30	\$10,781	\$314.45	\$11,293
6"	8	96	\$458.10	\$43,155	\$471.85	\$45,188
8"	22	264	\$663.15	\$171,769	\$683.00	\$179,875
Total	192	2,304		\$293,296		\$306,881
VOLUME CHARGE						
All KGAL (1,000 gallons)		137,322	\$3.367	\$454,159	\$3.468	\$475,059
Total Calculated Revenue				\$747,455		\$781,940

Average Cost per KGAL (1,000 gallons) \$5.69

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

Table 13
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	\$21.45	\$22.10	3.0%												
5	38.29	39.44	3.0%												
10	55.12	56.78	3.0%	\$62.62	\$64.48	3.0%									
15	71.96	74.12	3.0%	79.46	\$81.82	3.0%									
20	88.79	91.46	3.0%	96.29	\$99.16	3.0%	\$146.74	\$151.11	3.0%						
25	105.63	108.80	3.0%	113.13	\$116.50	3.0%	163.58	\$168.45	3.0%						
30	122.46	126.14	3.0%	129.96	\$133.84	3.0%	180.41	\$185.79	3.0%						
40	156.13	160.82	3.0%	163.63	\$168.52	3.0%	214.08	\$220.47	3.0%						
50	189.80	195.50	3.0%	197.30	\$203.20	3.0%	247.75	\$255.15	3.0%	\$473.65	\$487.85	3.0%			
75				281.48	\$289.90	3.0%	331.93	\$341.85	3.0%	557.83	574.55	3.0%			
100				365.65	\$376.60	3.0%	416.10	\$428.55	3.0%	642.00	661.25	3.0%	\$794.80	\$818.65	3.0%
200				702.35	\$723.40	3.0%	752.80	\$775.35	3.0%	978.70	1,008.05	3.0%	1,131.50	\$1,165.45	3.0%
250				870.70	\$896.80	3.0%	921.15	\$948.75	3.0%	1,147.05	1,181.45	3.0%	1,299.85	\$1,338.85	3.0%
500							1,762.90	\$1,815.75	3.0%	1,988.80	2,048.45	3.0%	2,141.60	\$2,205.85	3.0%
750										2,830.55	2,915.45	3.0%	2,983.35	\$3,072.85	3.0%
1,000										3,672.30	3,782.45	3.0%	3,825.10	\$3,939.85	3.0%
1,500													5,508.60	\$5,673.85	3.0%
2,000													7,192.10	\$7,407.85	3.0%
2,500													8,875.60	\$9,141.85	3.0%

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 4.0 % for River Road and Santa Clara Water Districts. Willamette Water Company is a surplus water agreement. Willamette Water Company's proposed rate increase is approximately 3%. EWEB began supplying water to the City of Veneta beginning in October of 2013. The proposed rate increase for the City of Veneta is 3%. *Tables 14, 15, and 16* provide information on revenues at existing rates and revenue at proposed rates.

Table 14
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, 2014

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	\$460.46
6"		5	60	\$1,003.25	\$54,890	\$1,043.38
8"		1	12	\$1,732.50	\$18,957	\$1,801.80
Total		6	72		\$73,848	\$82,605
VOLUME CHARGE						
Jan-June 2014	All KGAL	228,842	see note [2]	\$466,753	\$2.580	\$590,412
July - Dec 2014	All KGAL*	385,342	\$2.580	994,183	\$2.683	1,033,873
Total		614,184		\$1,460,935		\$1,624,285
Total Calculated Revenue				\$1,534,783		\$1,706,890

Average Cost per KGAL (1,000 gallons)

\$2.78

* July 1, 2014 effective date

[1] Present and proposed revenues include six months at prior rates and six months at existing/proposed rates

[2] In 2013 the Jan-June rate is a melded rate of \$1.914 and \$2.249

Table 15
Calculation of the Revenues at Present and Proposed Rates
SCHEDULE 5 - Willamette Water Company
 Estimated 12 Months Ended December 31, 2014

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates ^[1]	Proposed Charge	Proposed Annual Revenue ^[2]
BASIC CHARGE						
5/8"	5		\$21.45	\$1,181	\$22.10	\$1,323
3/4"	0		\$22.30	\$0	\$23.00	\$0
1"	1		\$28.95	\$322	\$29.80	\$357
1 - 1/2"	0		\$44.30	\$0	\$45.65	\$0
2"	0		\$79.40	\$0	\$81.75	\$0
3"	0		\$178.80	\$0	\$184.20	\$0
4"	0		\$305.30	\$0	\$314.45	\$0
6"	0		\$458.10	\$0	\$471.85	\$0
8"	1		\$663.15	\$7,207	\$683.00	\$8,176
Total	7			\$8,710		\$9,856
VOLUME CHARGE						
All KGAL (1,000 gallons)	27,392		\$3.280	\$84,371	\$3.378	\$92,304
Total Calculated Revenue				\$93,081		\$102,160
Average Cost per KGAL (1,000 gallons)						
						\$3.73

[1] Present revenues include six months at prior rates and six months at existing rates

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

Table 16
Calculation of the Revenues at Present and Proposed Rates
SCHEDULE 6 - City of Veneta
 Estimated 12 Months Ended December 31, 2014

Meter Size	Projected Active Services	Projected Annual Consumption	Existing Charge	Revenue @ Existing Rates	Proposed Charge	Proposed Annual Revenue ^[1]
BASIC CHARGE						
8"	1		\$1,732.50	\$1,733		
8"	2	see note [2]			\$892.24	\$1,784
Total	1			\$1,733		\$1,784
VOLUME CHARGE						
All KGAL (1,000 gallons)		68,764	\$1.240	\$85,267	\$1.277	\$87,825
Total Calculated Revenue				\$87,000		\$89,610
Average Cost per KGAL (1,000 gallons)						\$1.30

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

[2] After schedule 6 was approved in August 2013, it was determined that operationally water needed to flow thru two meters

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 \$9.99 per month for each inch diameter of pipe with a \$38.80 minimum charge. Rates charged to outside City customers are similarly based on the 4-inch size and are \$12.72 per month per inch diameter with a \$49.40 per month minimum.

In this proposal, management recommends a 3% 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

2014 Proposed BUDGET

December 3, 2013



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



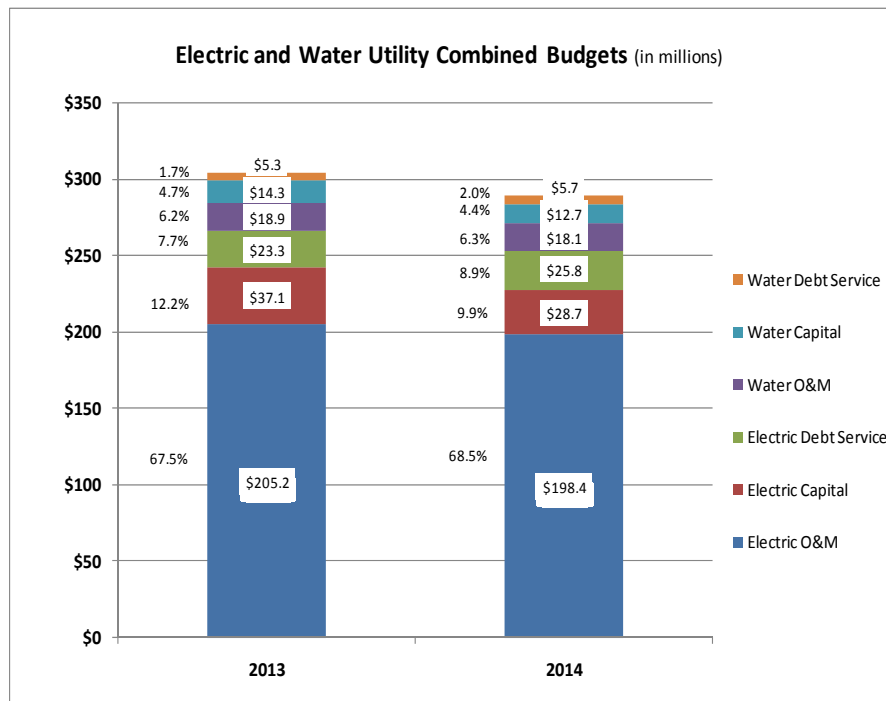
	<u>Ward</u>	<u>Term ends</u> <u>December 31,</u>
John Simpson, President	At Large	2014
John Brown, Vice president	4 & 5	2014
Dick Helgeson	2 & 3	2016
James Manning	6 & 7	2016
Steve Mital	1 & 8	2016

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Board of Commissioners,

The 2014 Eugene Water & Electric Board Operations & Maintenance (O&M) and Capital proposed budgets totaling \$252.9 million for the Electric Utility and \$36.5 million for the Water Utility are submitted for your consideration and approval. The combined total for both Utilities is \$289.4 million. Included in the budgets are O&M expenses, plant additions, debt service and contributions in lieu of taxes to local governmental agencies. For the second consecutive year management is proposing significant budget reductions, and the 2014 combined Utilities budgets is almost five percent lower than 2013. 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 budget was prepared as the economy continues its struggle to recover from the effects of the Great Recession. The weak economy impacts our customers, and consumption for both Utilities is expected to remain relatively flat compared to the 2013 budget. The Electric and Water Utilities' financial challenges are very different. Three 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. The Water Utility does not have a large debt burden, but water sales have not rebounded since the loss of its largest customer and the effects of the recession. Reserves for the last several years have been well below Board targets.

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 more priority based budgeting (PBB) approach. This process was used in the development of the 2014 budget.

Preliminary forecasts for the Electric Utility indicated the need for an almost 20% 2014 rate increase in order to achieve Board targets for financial metrics. Contributing to the Electric Utility financial pressures are the continuation of depressed prices that EWEB can charge for its surplus power in the wholesale market, a net reduction in the resources received from the Bonneville Power Administration (BPA) and increasing debt service costs which are the result of bonds issued to fund capital projects.

After a 2013 Water Utility 20% rate increase to begin stabilizing the Utility's financial condition, initial projections were for a 2014 rate increase of approximately 15% primarily due to the deferral of 10% of the 2013 proposed rate increase. Major drivers were low projected sales, the need to replace aging infrastructure so that customers continue to receive

safe, reliable water and the need to further stabilize the Utility's financial condition.

To reduce the magnitude of those rate increases, for the second year in a row, EWEB management made a series of difficult, but necessary, cost cutting decisions in early 2013. The decisions were made after a review of EWEB's business model and cost structure using information gathered through the PBB process, which resulted in further changes to traditional business practices. Reduction measures incorporated in the 2014 proposed budget include 25 positions, most of which have been achieved through attrition and retirements, non-labor operations & maintenance reductions of \$3.6 million, and the deferral or elimination of \$20 million in capital spending.

Net priority based budgeting changes for full-time equivalent (FTE) positions and non-labor O&M budgets by department for the last two years are noted below:

Department FTE Changes	2013	2014	Total
General Manager	(3.00)	(1.00)	(4.00)
Electric (includes warehouse and facilities)	(10.50)	(8.00)	(18.50)
Water	1.00	(2.00)	(1.00)
Customer Service	(6.00)	3.35	(2.65)
Energy Management Services	(11.00)	(5.00)	(16.00)
Engineering	(9.50)	(2.00)	(11.50)
Generation and Fleet	(2.25)	(2.00)	(4.25)
Information Technology	1.00	(1.00)	0.00
Strategic and Power Planning	(2.00)	(1.00)	(3.00)
Power Operations	(2.00)	(1.00)	(3.00)
Finance	(1.00)	(1.00)	(2.00)
Environmental	(1.00)	0.00	(1.00)
Human Resources	(2.30)	0.25	(2.05)
Public Affairs	(2.00)	0.00	(2.00)
Total	(50.55)	(20.40)	(70.95)

Excluded from the above table are FTE increases related to in-sourcing work previously performed by contractors that were funded through a non-labor expense reduction and FTE on short-term special assignments. Reductions represent over 12% of 2012 FTE.

Department Non-labor O&M Reductions	2013	2014	Total
General Manager	\$ 25,000	\$ 110,000	\$ 135,000
Electric (includes warehouse and facilities)	\$ 114,000	\$ 230,000	\$ 344,000
Water	\$ 222,000	\$ 120,000	\$ 342,000
Customer Service	\$ 168,000	\$ 428,000	\$ 596,000
Energy Management Services	\$ 1,616,000	\$ 1,095,000	\$ 2,711,000
Engineering	\$ 329,000	\$ 635,000	\$ 964,000
Generation and Fleet	\$ 48,000	\$ 123,000	\$ 171,000
Information Technology	\$ 218,000	\$ 457,000	\$ 675,000
Strategic and Power Planning	\$ 142,000	\$ 66,000	\$ 208,000
Power Operations	\$ 456,000	\$ 20,000	\$ 476,000
Finance	\$ 19,000	\$ 62,000	\$ 81,000
Environmental	\$ 190,000	\$ 75,000	\$ 265,000
Human Resources	\$ 343,000	\$ 99,000	\$ 442,000
Public Affairs	\$ 239,000	\$ 53,000	\$ 292,000
Total Non-labor O&M Reductions	\$ 4,129,000	\$ 3,572,000	\$ 7,702,000

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 to the non-labor budget and include funding an update of the water and electric master plans to guide replacement of aging infrastructure (\$800,000) and covering higher statutory compliance costs (\$200,000). Another component of the PBB process is to only use one-time resources for short-term expenses. About \$600,000 of reserves was used to fund regional memberships and potential legal costs.

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. Although funding levels for both are lower than in recent budgets, they do provide assistance for local needs.

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 distribution 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 and a net reduction in 2014 BPA resources available have resulted in historically low wholesale revenues. Budgeted wholesale revenue in 2014 is only 34% of the 2008 actual. Combined with decreased customer demand due to the Great Recession 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. 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+'. With the PBB changes noted above, the ten year long-term forecast projects financial metrics to be met in all years except when the Carmen-Smith hydro-generation plant is currently scheduled to be offline due to major

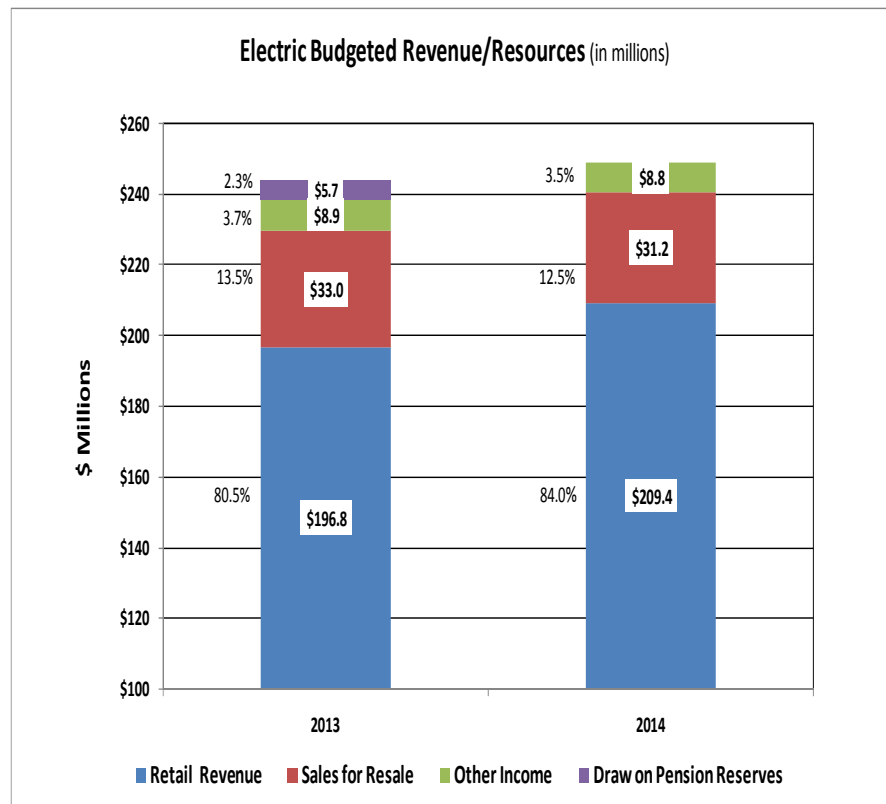
relicensing work. The Federal Energy Regulatory Commission has not yet issued the Carmen-Smith license, and timing of that work is uncertain.

While increased revenue associated with new system load would provide substantial benefit to EWEB and the community as a whole, we cannot rely on the benefit of new revenue from load growth to solve the financial issues. Management's hard work over the last two years making workforce and other reductions has set the Electric Utility on a stable financial path.

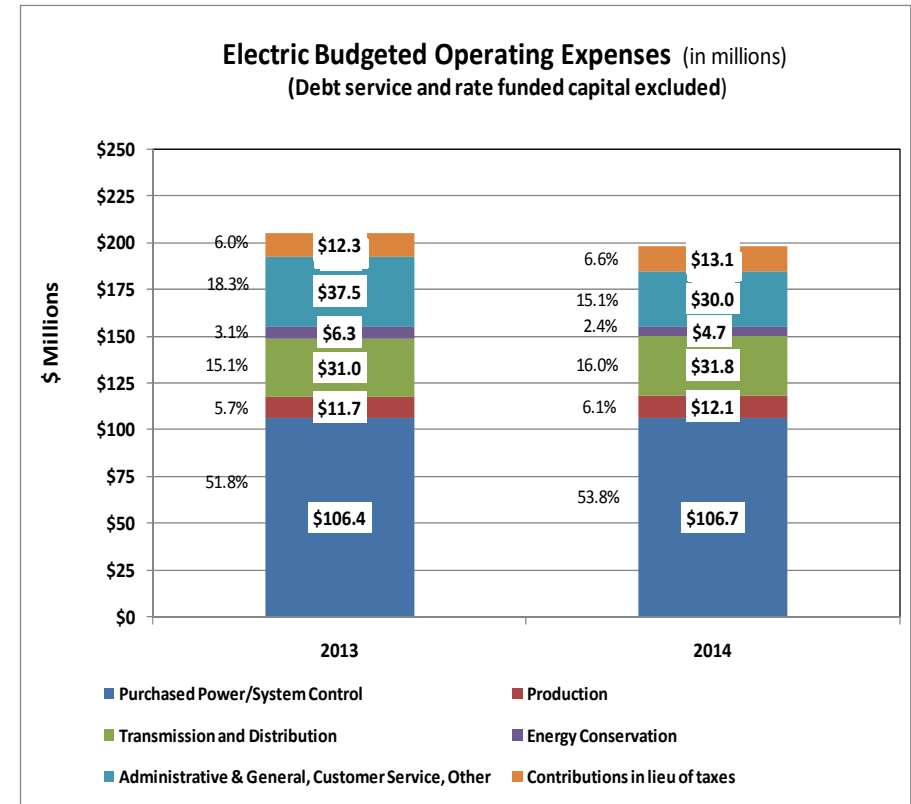
Operations & Maintenance Budget

The 2014 Electric O&M budget is \$198.4 million compared to \$205.2 million in 2013. The \$7 million decrease is due to the PBB reductions and the 2013 one-time deposit of \$5.7 million to EWEB's Other Post Employment Benefits (OPEB) trust. The deposit is included in the *Administrative & General, Customer Service, Other* expense category. Increases to Bonneville Power Administration's (BPA) purchased power and higher costs for certain generating asset investments have been offset by the reductions noted previously. Additionally, designated funds of approximately \$2.2 million are being used to offset debt service and health insurance expenses and are included in the *Administrative & General, Customer Service, Other* category. In order to achieve the Board target for debt service coverage, the budget includes a deposit of \$6.4 million to operating reserves. In 2014, the Board will discuss potential use of those reserves.

The following charts compare the 2014 and 2013 revenue and expense budgets:



The budget assumes hydro generation based on 90% of average stream flow and flat retail consumption of 2.4 million MWh. Wholesale sales have declined due to reduced BPA resources which results in further reliance on revenue from Utility customers. Retail sales are up \$12.6 million due to the combined effect of a full year impact of the May 2013 4% overall average increase, the November 2013 BPA pass-through of 1.75% and the budgeted 4% February 2014 overall average rate increase. The February rate increase represents \$6.19/month for the average single-family residence consuming 1,600 kWh.



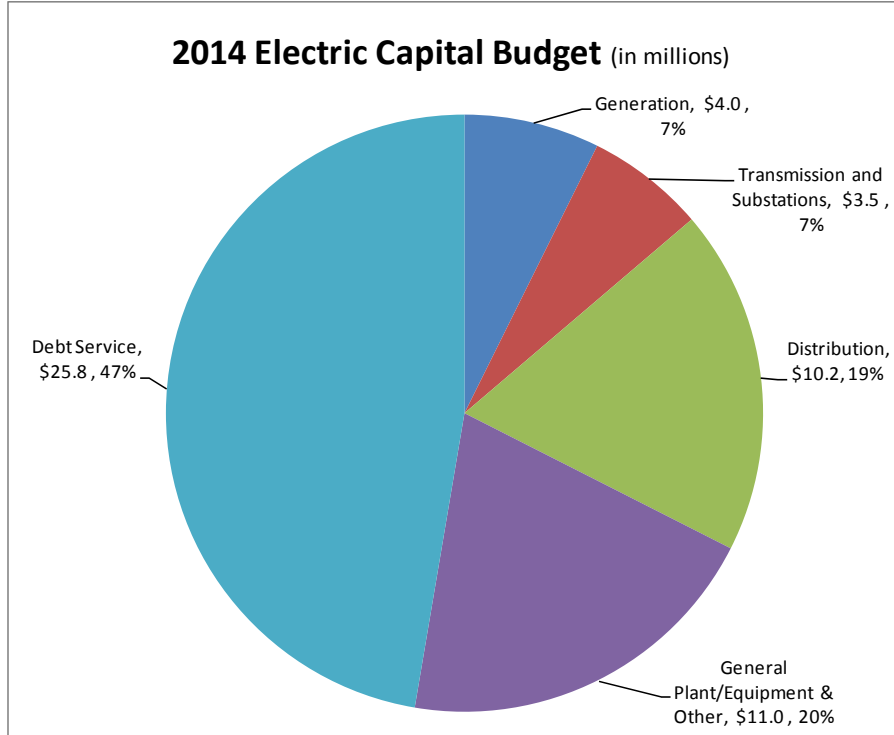
The decreases in the *Energy Conservation* and *Administrative & General, Customer Service, Other* categories are a result of the PBB reductions and the 2013 one-time payment to the OPEB trust.

Capital Budget

The electric capital budget of \$54.5 million is \$5.9 million lower than 2013 and includes \$25.8 million in debt service. Funds of \$17.4 million to replace aging transmission and distribution, generation, substations, and general plant infrastructure are budgeted in an effort to maintain, but not improve, the current level of reliability. These replacements will be funded with electric rates and other customer contributions. Carmen-

Smith hydroelectric relicensing costs are budgeted at \$3.2 million and will be funded with previously issued bond proceeds.

Other major projects included in the capital budget are \$5 million for rebuilding the downtown secondary network system and \$2.8 million to implement a work asset management system.



Water Utility

Overview

Like many Northwest water utilities, EWEB’s water utility has experienced declining demand at a time when aging infrastructure needs to be replaced 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. Since 2010, budgeted water sales volumes have declined about 20%. Given declining water sales, the recovery of fixed costs remains challenging. Accordingly, the Utility has been unable to meet operating cash and reserve targets.

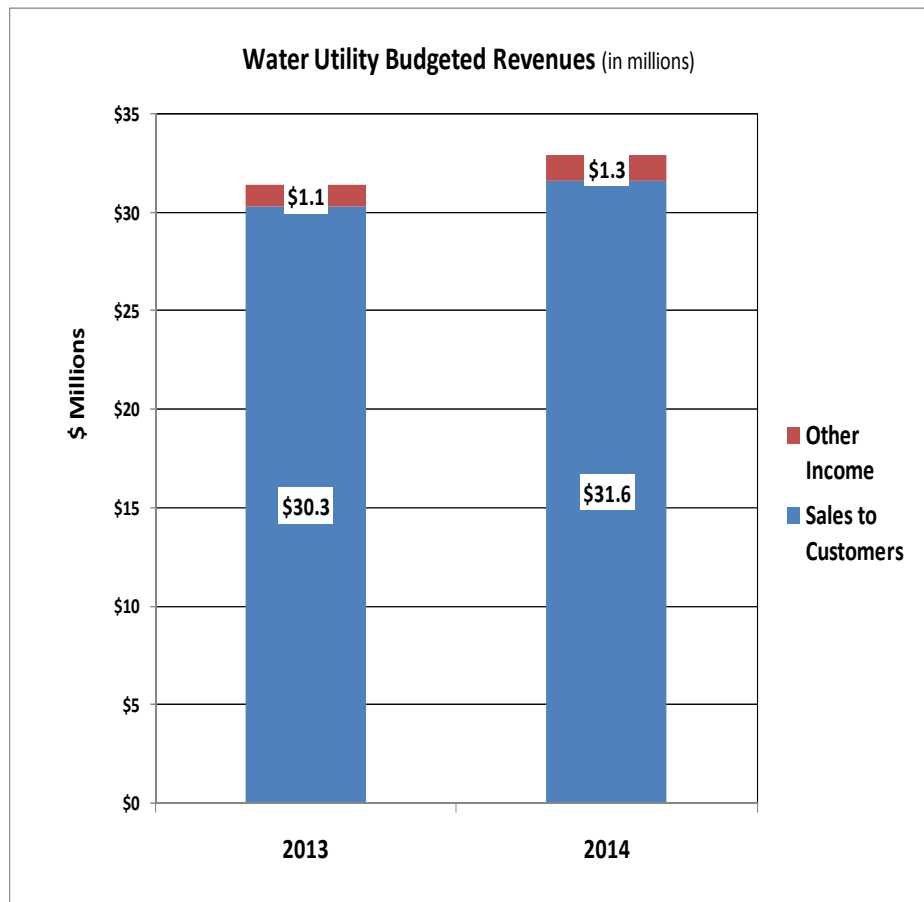
As of 2013, EWEB’s rates reflect a structural change to rely less on the volume of water it sells and more on a higher basic charge. This put EWEB’s rate structure more in line with the fixed cost nature of the water utility.

Operations & Maintenance Budget

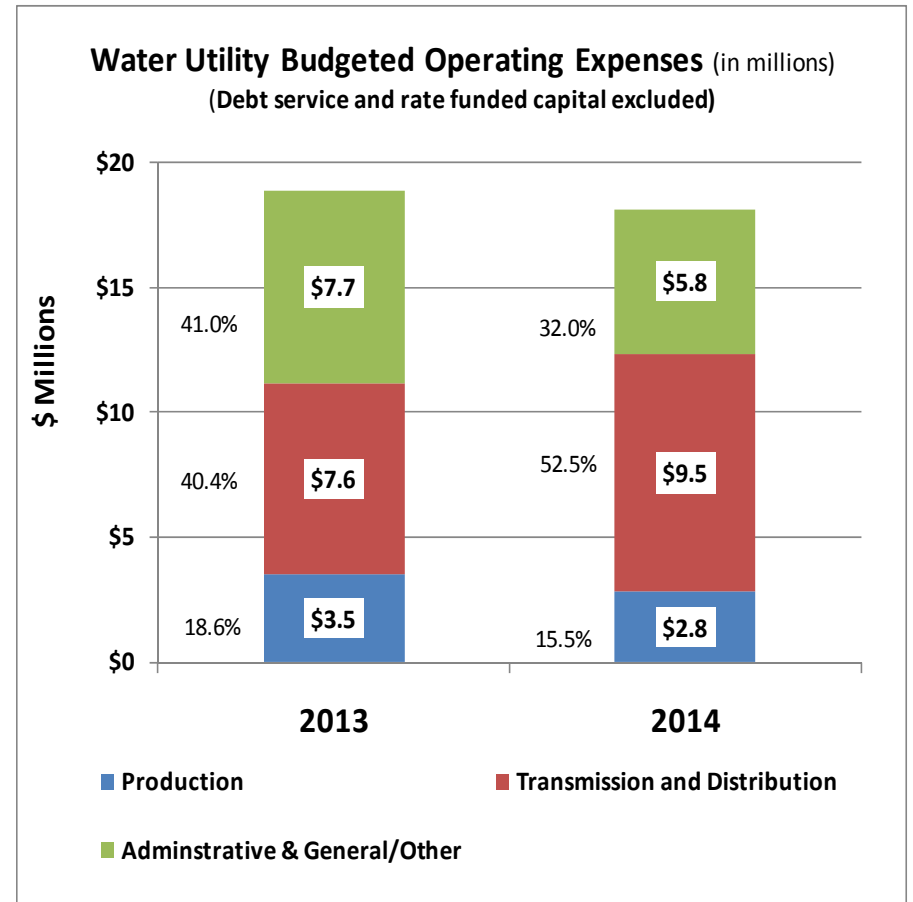
The 2014 Water Utility O&M budget is \$18.1 million compared to \$18.9 million in 2013. The decrease is primarily due to the 2013 one-time deposit of \$1.3 million to EWEB’s Other Post Employment Benefits (OPEB) trust. The deposit is included in the *Administrative & General/Other* expense category.

The budget includes an overall average rate increase of 3% which would be effective on bills rendered beginning February 2014. This increase represents less than \$1 per month for the average residential customer using 7 kgals. The 2014 budget assumes sales of approximately 7.4 million kgals which is consistent with the 2013 budget and approximately 400,000 kgals lower than 2012 actual consumption. The budget includes a deposit of \$2.7 million to working cash/operating reserves in an effort to reach Board targets.

The following charts compare the 2014 and 2013 revenue and expense budgets:



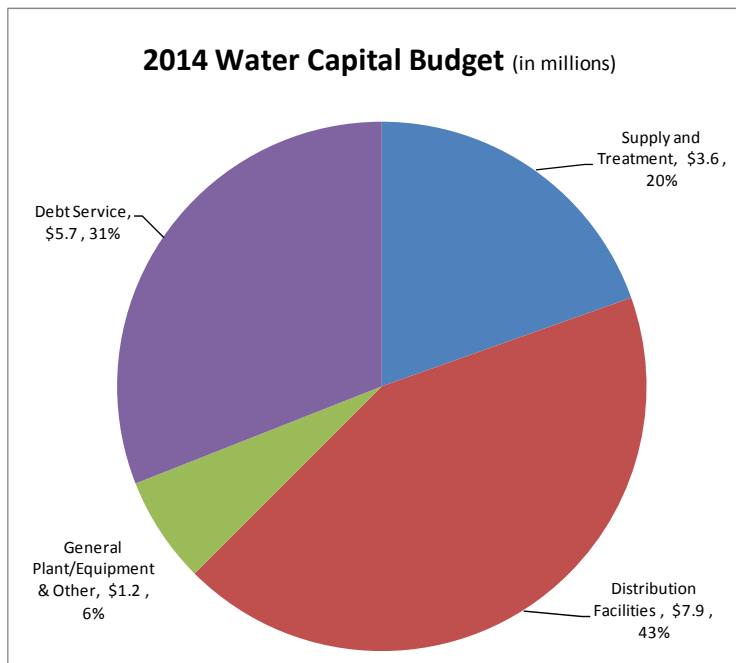
The above graph indicates how the Water Utility relies almost entirely on sales to customers for its revenue.



The significant reduction in the *Administrative & General/Other* category is a result of PBB reductions and the Water Utility's portion of the 2013 one-time payment into the OPEB trust. The increase in transmission and distribution is primarily due to a reorganization that shifted costs from production and the addition of \$600,000 to develop a master plan that will guide the Utility in replacing aging infrastructure.

Capital Budget

The \$18.4 million water capital budget is \$1.1 million lower than 2013 and includes \$5.7 million in debt service/lease payments. The budget to replace aging infrastructure is approximately \$7.6 million which is typically funded by water rates and customer contributions. Significant projects include transmission and distribution main replacements. Infrastructure rehabilitation and expansion costs total \$5.2 million and will be funded with previously issued bond proceeds. Projects include work at the Hayden Bridge filtration plant, as well as pump stations and reservoirs.



Electric and Water Impacts to Residential Customers

The following chart shows the approximate monthly residential bill increase as a result of the rate increases used in developing the 2014 budget:

2014 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 – 4.5% February increase	\$5.15	\$6.19
Water – 3% February increase	\$0.63	\$0.94
Total average monthly increase	\$5.78	\$7.13

The development of the 2014 budgets required an extensive review of current operations to determine how to reduce budgets while keeping our customer priorities at the forefront. Management and staff accepted the challenge to determine more effective and efficient ways to deliver services without compromising safety and system reliability. For EWEB to truly deliver value for generations, we must be flexible and adaptable to operate in a changing and uncertain environment. Our success will depend on engaging the community, board, and staff in charting our 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 2014 Electric and Water Utility budgets presented in Attachment 1.

Respectfully submitted,

Roger Gray, General Manager

Attachment 1

2014 Proposed Budgets



EUGENE WATER & ELECTRIC BOARD
ELECTRIC UTILITY OPERATIONS & MAINTENANCE BUDGET
2014 BUDGET COMPARED WITH 2013 BUDGET AND 2012 ACTUAL

	2014 Budget		2013 Budget		2012 Actual	
	MWH	REVENUE	MWH	REVENUE	MWH	REVENUE
Residential	964,039	\$ 104,078,000	963,735	\$ 98,142,000	941,922	\$ 90,785,000
Commercial	886,538	58,024,000	672,462	55,845,000	869,140	53,251,000
Industrial	562,048	47,290,000	795,426	42,826,000	564,008	40,903,000
Retail sales	2,412,625	209,392,000	2,431,623	196,813,000	2,375,070	184,939,000
Wholesale sales*	846,238	31,154,000	1,029,596	32,983,000	2,127,501	61,288,000
Operating revenues	3,258,863	240,546,000	3,461,219	229,796,000	4,502,571	246,227,000
Other revenue		6,889,000		6,799,000		4,746,000
Interest earnings		1,905,000		2,094,000		1,408,000
Non-operating revenues		8,794,000		8,893,000		6,154,000
Total revenues		249,340,000		238,689,000		252,381,000
Purchased power		99,857,000		98,936,000		101,961,000
System control		6,889,000		7,505,000		6,624,000
Steam and hydraulic generation		12,066,000		11,715,000		11,336,000
Wheeling		11,492,000		11,712,000		12,247,000
Transmission & distribution		20,335,000		19,280,000		18,722,000
Customer accounting		8,101,000		7,774,000		9,605,000
Energy conservation		4,673,000		6,303,000		6,891,000
Administrative & general		26,933,000		31,612,000		23,800,000
Operating expenses		190,346,000		194,837,000		191,186,000
Contributions in lieu of taxes		13,078,000		12,258,000		13,899,000
Change in balance sheet accounts/ other expenses		(5,033,000)		(1,859,000)		3,039,000
Non-operating expenses		8,045,000		10,399,000		16,938,000
Total operations and maintenance budget		198,391,000		205,236,000		208,124,000
Rate funded capital		17,800,000		15,885,000		
Debt service		25,822,000		23,306,000		20,230,000
Total rate funded capital related expenses		43,622,000		39,191,000		
Total rate funded expenses		242,013,000		244,427,000		
Revenues over (under) expenses		\$ 7,327,000		\$ (5,738,000)		
Deposit to (Draw on) Reserves:						
Pension fund reserve draw	\$	-	\$	(5,738,000)		
Capital improvement reserve		896,000		-		
Operating reserves		6,431,000		-		
Net change in reserves	\$	7,327,000	\$	(5,738,000)		

Net Revenue available for capital and reserves

\$ 24,027,000

Note: Dollars rounded to nearest thousand.

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

EUGENE WATER & ELECTRIC BOARD
ELECTRIC UTILITY CAPITAL BUDGET
2014 BUDGET COMPARED WITH 2013 BUDGET

	2014 Budget	2013 Budget
Generation	\$ 3,959,000	\$ 7,986,000
Transmission and substations	3,541,000	3,793,000
Electric distribution	10,206,000	14,516,000
General plant, equipment, & other	9,822,000	9,447,000
Total plant additions	<u>27,528,000</u>	<u>35,742,000</u>
Telecommunications	75,000	630,000
Preliminary surveys	1,128,000	750,000
Total other capital budget	<u>1,203,000</u>	<u>1,380,000</u>
Total Electric Capital Budget	<u>28,731,000</u>	<u>37,122,000</u>
Debt Service	<u>25,822,000</u>	<u>23,306,000</u>
Total Electric Capital and Debt Service Budget	<u><u>\$ 54,553,000</u></u>	<u><u>\$ 60,428,000</u></u>

Note: Dollars rounded to nearest thousand.

EUGENE WATER & ELECTRIC BOARD
WATER UTILITY OPERATIONS & MAINTENANCE BUDGET
2014 BUDGET COMPARED WITH 2013 BUDGET AND 2012 ACTUAL

	2014 Budget		2013 Budget		2012 Actual	
	Gal (000)	REVENUE	Gal (000)	REVENUE	Gal (000)	REVENUE
Residential/Water Districts	4,257,499	\$ 19,418,000	4,290,910	\$ 18,361,000	4,505,441	\$ 14,707,154
Commercial	3,182,227	12,207,000	3,141,105	11,953,000	3,268,910	11,513,438
Operating revenues	7,439,726	31,625,000	7,432,015	30,314,000	7,774,351	26,220,592
Other revenue		1,236,000		1,044,000		539,981
Interest income		65,000		68,000		-
Non-operating revenues		1,301,000		1,112,000		539,981
Total revenues		32,926,000		31,426,000		26,760,573
Production		2,830,000		3,539,000		3,118,231
Transmission & distribution		9,512,000		7,627,000		7,063,149
Customer accounting		1,669,000		1,439,000		1,164,333
Conservation		239,000		220,000		323,198
Administrative & general		3,933,000		6,022,000		4,046,176
Operating expenses		18,183,000		18,847,000		15,715,087
Change in balance sheet accounts		(53,000)		40,000		
Total operations and maintenance budget		18,130,000		18,887,000		
Rate funded capital		6,390,000		6,653,000		
Roosevelt lease payment		1,187,000		1,187,000		
Debt service		4,510,000		4,069,000		3,585,263
Total rate funded capital related expenses		12,087,000		11,909,000		
Total rate-funded expenses		30,217,000		30,796,000		
Revenues over expenses		\$ 2,709,000		\$ 630,000		
Deposit to Working Cash/Reserves		\$ 2,709,000		\$ 630,000		
Net revenue available for capital, working cash and reserves						\$ 7,460,223

Note: Dollars rounded to nearest thousand.

EUGENE WATER & ELECTRIC BOARD
WATER UTILITY CAPITAL BUDGET
2014 BUDGET COMPARED WITH 2013 BUDGET

	<u>2014</u>	<u>2013</u>
Supply & treatment	\$ 3,566,000	\$ 4,188,000
Distribution facilities	7,901,000	8,281,000
General plant, equipment & other	<u>1,261,000</u>	<u>1,821,000</u>
Total Water Capital Budget	\$ 12,728,000	\$ 14,290,000
Debt Service (includes Roosevelt lease payment)	<u>5,697,000</u>	<u>5,256,000</u>
Total Water Capital and Debt Service Budget	<u><u>\$ 18,425,000</u></u>	<u><u>\$ 19,546,000</u></u>

Note: Dollars rounded to nearest thousand.

Attachment 2

Department Operations & Maintenance 2014 Budget Compared to Prior Years



Eugene Water & Electric Board - Operations & Maintenance Budget

Summary By Department

Description	2014 Proposed Budget		2013 Approved Budget		2012 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Customer Services	73.35	\$ 9,294,225	70.00	\$ 9,223,443	76.00	\$ 10,197,852
Electric Transmission & Distribution Operations	90.00	15,975,929	96.00	16,006,632	102.50	16,129,905
Energy Management Services	14.00	4,326,031	19.00	5,765,230	30.00	6,135,086
Engineering	57.65	9,487,701	62.55	10,147,693	72.05	11,100,322
Environmental Management	13.00	3,441,388	10.00	3,341,041	11.00	1,743,414
Finance	30.15	5,303,003	29.65	4,642,437	30.65	4,481,927
Fleet Services	10.00	2,705,298	11.00	2,857,605	10.00	2,690,742
General Manager	4.00	938,538	8.00	1,504,571	11.00	1,583,517
Generation	22.50	6,646,543	23.00	6,404,373	26.25	5,021,423
Human Resources	12.50	2,280,053	12.25	2,283,475	14.55	2,012,463
Information Services	68.00	11,131,128	66.00	10,865,691	65.00	8,745,809
Power Resources & Strategic Planning	12.00	2,657,460	13.00	2,623,612	15.00	2,788,074
Public Affairs	10.00	2,440,416	10.00	2,500,737	12.00	2,173,913
Trading & Power Operations **	15.00	138,521,402	16.00	134,554,570	18.00	135,401,536
Warehouse and Building Operations	14.00	4,050,233	13.00	3,918,364	17.00	3,540,104
Water Operations	76.25	10,980,745	78.25	10,317,546	66.25	9,730,561
	522.40	\$ 230,180,091	537.70	\$ 226,957,020	577.25	\$ 223,476,648

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

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

Note: 2012 FTE includes 10 FTE removed for anticipated turnover savings.

Customer Service Department - Operations & Maintenance Budget

Includes: Customer Service, Key Accounts, Field Services, Meter Reading, and Cash Accounting

Description			2014 Proposed Budget		2013 Approved Budget		2012 Actual	
			FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
	Wages / Benefits		73.35	\$5,299,207	70.00	\$5,109,709	76.00	\$5,138,399
Purchases								
	Equipment			\$500		\$12,500		\$0
	EWEB Equipment			\$189,824		\$155,798		\$174,352
	Materials and Supplies			\$78,733		\$127,893		\$120,255
	Stores Materials and Supplies			\$21,500		\$24,634		\$21,669
	Technology / Office Equipment			\$41,100		\$52,883		\$56,960
Services								
	Fees and Licenses			\$100		\$3,760		\$6,136
	Grants			\$0		\$0		\$80,417
	Legal Services			\$11,500		\$11,500		\$11,225
	Low Income Services			\$1,141,820		\$1,433,580		\$2,385,273
	Management Consultants			\$121,011		\$121,011		\$168,910
	Miscellaneous Services			\$874,301		\$800,520 ¹		\$611,979
	Printing and Postage			\$367,249		\$451,525		\$482,463
	Property Rent			\$0		\$0		\$1,625
	Software/Hardware Maintenance & Services			\$332,100		\$367,200		\$177,458
	Contract Labor			\$76,050		\$76,500		\$56,617
	Training and Travel			\$58,230		\$74,430		\$49,639
	Uncollectable Accounts			\$681,000		\$400,000		\$654,476
Total				\$9,294,225		\$9,223,443		\$10,197,852

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

¹ Increase due to bill print function transferred from Information Services Department.

Electric Transmission & Distribution Operations Department

Operations & Maintenance Budget

Includes: Customer support/ Operations Coordination, Line Construction & Operations, Meter O & M, Substations, Communications, Relay, Vegetation Management, Distribution Operations Support, Dispatch, and Steam

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
	Wages / Benefits	90.00	\$10,647,135	96.00	\$10,146,462	102.50	\$9,289,687
Purchases							
	Buildings		\$0		\$0		\$18,242
	Energy		\$0		\$0		\$34,229
	Equipment		\$20,600		\$22,600		\$32,767
	EWEB Equipment		\$1,107,896		\$1,375,080		\$1,173,406
	Fuels		\$0		\$0		\$240,222
	Landscaping		\$97,447		\$46,135		\$23,434
	Materials and Supplies		\$330,619		\$288,427		\$466,298
	Stores Materials and Supplies		\$281,475		\$301,850		\$348,319
	Technology / Office Equipment		\$63,495		\$59,495		\$168,745
	Vehicle Fuel and Oil		\$0		\$0		\$235
	Water		\$19,798		\$19,798		\$51,615
Services							
	Construction Agreements		\$48,000		\$57,100		\$63,922
	Fees and Licenses		\$0		\$0		\$415
	Flagging		\$100,000		\$25,000		\$71,763
	Grants		\$0		\$0		\$500
	Management Consultants		\$25,000		\$0		\$98,517
	Miscellaneous Services		\$180,946		\$154,936		\$495,379
	Printing and Postage		\$4,000		\$4,000		\$4,988
	Property Rent		\$100,000		\$100,000		\$0
	Software/Hardware Maintenance & Services		\$77,797		\$64,157		\$98,302
	Contract Labor		(\$41,875) ¹		\$98,200		\$34,189
	Training and Travel		\$202,249		\$189,059		\$192,737
	Tree Trimming		\$2,711,347		\$3,054,334		\$3,221,993
Total			\$15,975,929		\$16,006,632		\$16,129,905

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

¹ Corresponding expense included in wages/ benefits.

Energy Management Services Department - Operations & Maintenance Budget

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
		14.00		19.00		30.00	
	Wages / Benefits		\$1,460,383		\$1,863,071		\$2,376,196
Purchases							
	Energy		\$0		\$0		\$5,293
	Equipment		\$13,813		\$13,590		\$3,445
	EWEB Equipment		\$53,112		\$46,942		\$41,594
	Materials and Supplies		\$12,450		\$8,259		\$39,830
	Stores Materials and Supplies		\$500		\$1,000		\$2,296
	Technology / Office Equipment		\$12,075		\$32,715		\$29,049
	Vehicle Fuel and Oil		\$0		\$0		\$25
Services							
	Conservation Measures		\$2,520,948		\$3,494,802		\$2,870,482
	Fees and Licenses		\$1,600		\$1,400		\$25
	Grants		\$5,000		\$15,000		\$203,840
	Legal Services		\$9,000		\$4,000		\$4,677
	Management Consultants		\$79,100		\$67,000		\$190,292
	Miscellaneous Services		\$111,150		\$153,351		\$235,072
	Printing and Postage		\$7,600		\$17,400		\$39,706
	Software/Hardware Maintenance & Services		\$100		\$200		\$100
	Contract Labor		\$0		\$0		\$51,387
	Training and Travel		\$39,200		\$46,500		\$41,775
Total			\$4,326,031		\$5,765,230		\$6,135,086

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

Engineering Department - Operations & Maintenance Budget

Includes: Computer Aided Design Services, Distribution Engineering, Energy Management Services Industrial, Generation Engineering, Systems Engineering, Water Engineering and Planning Services

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
	Wages / Benefits	57.65	\$4,593,082	62.55	\$4,917,902	72.05	\$5,474,638
Purchases	Energy		\$0		\$0		\$9,372
	Equipment		\$35,958		\$92,250		\$55,291
	EWEB Equipment		\$88,826		(\$106,766)		\$154,497
	Fuels		\$0		\$0		\$148
	Land and Land Rights		\$65,000		\$35,000		\$48,945
	Materials and Supplies		\$57,750		\$146,670		\$76,557
	Stores Materials and Supplies		\$200		\$200		\$7,633
	Technology / Office Equipment		\$79,270		\$39,740		\$126,488
Services	Conservation Measures		\$0		\$29,000		\$457,363
	Construction Agreements		\$2,260,880		\$2,182,160		\$1,877,232
	Fees and Licenses		\$479,130		\$487,330		\$467,546
	Flagging		\$4,000		\$0		\$0
	Grants		\$0		\$0		\$76,250
	Insurance		\$0		\$0		\$3,128
	Legal Services		\$30,000		\$20,000		\$8,891
	Low Income Services		\$0		\$10,000		\$9,719
	Management Consultants		\$1,110,700 ¹		\$793,300		\$338,388
	Miscellaneous Services		\$131,883		\$164,091		\$391,520
	Printing and Postage		\$0		\$8,120		\$748
	Property Rent		\$174,000 ²		\$886,117		\$1,078,161
	Software/Hardware Maintenance & Services		\$91,450		\$109,050		\$93,679
	Contract Labor		\$106,142		\$144,229		\$27,879
	Training and Travel		\$179,430		\$189,300		\$154,324
	Tree Trimming		\$0		\$0		\$391
	Wheeling		\$0		\$0		\$161,534 ³
Total			\$9,487,701		\$10,147,693		\$11,100,322

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

¹ Increase due to development of electric and water infrastructure master plans.

² Decrease due to reorganization. Budget was transferred to Environmental Management Department.

³ Wheeling expenses budgeted in Generation Department.

Environmental Management Department - Operations & Maintenance Budget

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
	Wages / Benefits	13.00	\$1,271,447	10.00	\$1,008,445	11.00	\$1,043,012
Purchases							
	Equipment		\$7,700		\$10,700		\$8,672
	EWEB Equipment		\$36,092		\$14,470		\$11,764
	Fuels		\$0		\$0		\$24
	Landscaping		\$10,000		\$10,000		\$88,210
	Materials and Supplies		\$53,055		\$33,555		\$19,666
	Stores Materials and Supplies		\$0		\$0		\$1,299
	Technology / Office Equipment		\$10,700		\$10,700		\$2,629
Services							
	Construction Agreements		\$314,000 ¹		\$189,000		\$79,741
	Fees and Licenses		\$14,500		\$15,020		\$14,074
	Grants		\$49,300		\$83,300		\$126,601
	Legal Services		\$115,000		\$60,000		\$86,531
	Management Consultants		\$632,675 ²		\$1,694,000		\$120,413
	Miscellaneous Services		\$106,670		\$139,800		\$109,054
	Printing and Postage		\$3,000		\$0		\$79
	Property Rent		\$764,998 ³		\$0		\$0
	Software/Hardware Maintenance & Services		\$0		\$0		\$550
	Contract Labor		\$30,000		\$50,000		\$2,100
	Training and Travel		\$22,250		\$22,050		\$28,995
Total			\$3,441,388		\$3,341,041		\$1,743,414

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

¹ Increase due to additional costs in property management and hydro facility vegetation management.

² Decrease due to lower site remediation work with a corresponding reduction in revenue.

³ Increase due to reorganization. Budget was transferred from Engineering Department.

Finance Department - Operations & Maintenance Budget

Includes: Financial Services, Fiscal Services, General Accounting and Treasury, Purchasing and Risk Management

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
	Wages / Benefits	30.15	\$3,342,738	29.65	\$3,082,083	30.65	\$3,123,116
Purchases							
	EWEB Equipment		\$8,880		\$2,540		\$1,968
	Fuels		\$0		\$0		\$69
	Materials and Supplies		\$26,620		\$19,220		\$48,683
	Stores Materials and Supplies		\$50		\$50		(\$544)
	Technology / Office Equipment		\$10,200		\$9,200		\$5,720
Services							
	Fees and Licenses		\$3,400		\$3,000		\$1,675
	Insurance		\$730,896		\$725,890		\$649,090
	Legal Services		\$171,167		\$166,867		\$113,624
	Management Consultants		\$268,217		\$317,734		\$323,494
	Miscellaneous Services		\$58,740		\$58,960		\$56,075
	Printing and Postage		\$50		\$1,050		\$432
	Software/Hardware Maintenance & Services		\$490,944 ¹		\$104,948		\$89,230
	Contract Labor		\$102,350		\$86,395		\$16,323
	Training and Travel		\$88,750		\$64,500		\$52,972
Total			\$5,303,003		\$4,642,437		\$4,481,927

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

¹ Increase due to software maintenance costs for new Work/Asset Management System.

Fleet Services Department - Operations & Maintenance Budget

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
	Wages / Benefits	10.00	\$1,133,751	11.00	\$1,157,928	10.00	\$1,068,917
Purchases							
	EWEB Equipment		\$3,497		\$3,840		\$4,282
	Fuels		\$40,000		\$40,000		\$35,661
	Materials and Supplies		\$735,400		\$840,100		\$849,027
	Stores Materials and Supplies		\$4,000		\$6,000		\$3,689
	Technology / Office Equipment		\$5,500		\$6,500		\$9,606
	Vehicle Fuel and Oil		\$638,750		\$711,750		\$636,125
Services							
	Fees and Licenses		\$2,000		\$2,500		\$4,198
	Miscellaneous Services		\$109,400		\$54,987		\$56,639
	Printing and Postage		\$1,000		\$1,000		\$627
	Software/Hardware Maintenance & Services		\$13,000		\$13,000		\$8,014
	Contract Labor		\$10,000		\$10,000		\$4,281
	Training and Travel		\$9,000		\$10,000		\$9,675
Total			\$2,705,298		\$2,857,605		\$2,690,742

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

General Manager Department - Operations & Maintenance Budget

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
	Wages / Benefits	4.00	\$679,709	8.00	\$1,145,988	11.00	\$1,231,664
Purchases							
	EWEB Equipment		\$2,438		\$1,725		\$1,383
	Materials and Supplies		\$34,601		\$87,425		\$10,843
	Technology / Office Equipment		\$16,100		\$17,700		\$10,805
Services							
	Fees and Licenses		\$0		\$0		\$371
	Grants		\$0		\$0		\$1,125
	Legal Services		\$0		\$0		\$625
	Management Consultants		\$80,000		\$80,000		\$83,141
	Miscellaneous Services		\$82,590		\$101,302		\$143,158
	Printing and Postage		\$0		\$0		\$3,077
	Software/Hardware Maintenance & Services		\$0		\$0		\$66,640
	Contract Labor		\$0		\$0		\$672
	Training and Travel		\$43,100		\$70,432		\$30,015
Total			\$938,538		\$1,504,571		\$1,583,517

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

Generation Department - Operations & Maintenance Budget

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
	Wages / Benefits	22.50	\$2,844,143	23.00	\$2,717,647	26.25	\$3,149,374
Purchases							
	Energy		\$220,000		\$220,000		\$190,485
	Equipment		\$145,500		\$167,711		\$12,237
	EWEB Equipment		\$486,439		\$518,171		\$457,826
	Fuels		\$1,500		\$1,500		\$9,927
	Landscaping		\$3,250		\$3,250		\$1,214
	Materials and Supplies		\$200,400		\$234,200		\$154,558
	Stores Materials and Supplies		\$4,500		\$4,500		\$4,460
	Technology / Office Equipment		\$20,240		\$15,000		\$62,631
	Vehicle Fuel and Oil		\$500		\$500		\$73
	Water		\$0		\$0		\$180
Services							
	Conservation Measures		\$0		\$3,500		\$0
	Construction Agreements		\$1,549,550		\$1,376,200 ¹		\$379,930
	Fees and Licenses		\$475,341		\$467,180		\$417,005
	Insurance		\$17,590		\$17,590		\$0
	Legal Services		\$1,500		\$19,500		\$10,424
	Management Consultants		\$140,500		\$42,500		\$17,521
	Miscellaneous Services		\$120,099		\$170,633		\$105,574
	Printing and Postage		\$0		\$0		\$570
	Software/Hardware Maintenance & Services		\$4,000		\$4,000		\$2,008
	Contract Labor		\$15,000		\$25,000		\$8,900
	Training and Travel		\$88,918		\$88,218		\$36,527
	Wheeling		\$307,573		\$307,573		\$0 ²
Total			\$6,646,543		\$6,404,373		\$5,021,423

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

¹ Costs related to Harvest Wind operations transferred from Power Resources & Strategic Planning Department in 2012 reorganization.

² 2012 Actual expenses recorded in Engineering Department.

Human Resources Department - Operations & Maintenance Budget

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
	Wages / Benefits	12.50	\$1,464,309	12.25	\$1,429,956	14.55	\$1,417,463
Purchases	Equipment		\$8,700		\$7,200		\$21,766
	EWEB Equipment		\$8,561		\$6,722		\$3,343
	Fuels		\$0		\$0		\$38
	Materials and Supplies		\$99,200		\$102,500		\$58,350
	Stores Materials and Supplies		\$0		\$0		\$448
	Technology / Office Equipment		\$18,500		\$23,500		\$8,307
	Vehicle Fuel and Oil		\$0		\$0		\$70
Services	Fees and Licenses		\$0		\$0		\$3,175
	Legal Services		\$128,500		\$125,000		\$113,226
	Management Consultants		\$147,990		\$143,000		\$67,220
	Miscellaneous Services		\$201,823		\$194,718		\$173,467
	Printing and Postage		\$3,300		\$3,300		\$3,118
	Software/Hardware Maintenance & Services		\$72,570		\$73,829		\$49,631
	Contract Labor		\$10,000		\$6,000		\$14,089
	Training and Travel		\$116,600		\$167,750		\$78,752
Total			\$2,280,053		\$2,283,475		\$2,012,463

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

Information Services Department - Operations & Maintenance Budget

Includes: Business Client Planning & Services, Data Management, Enterprise Application and Integration Development, Geographic Information Services, Information Resources Center, Network Services, Project Office and Security & Compliance

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
	Wages / Benefits	68.00	\$7,418,505	66.00	\$6,844,480	65.00	\$6,428,127
Purchases							
	Equipment		\$12,000		\$0		\$3,665
	EWEB Equipment		\$20,492		\$23,406		\$35,329
	Fuels		\$0		\$0		\$51
	Materials and Supplies		\$46,450		\$36,250		\$35,582
	Stores Materials and Supplies		\$2,000		\$100		\$1,154
	Technology / Office Equipment		\$265,591		\$473,105		\$93,502
Services							
	Construction Agreements		\$16,332		\$16,332		\$41,996
	Fees and Licenses		\$5,760		\$2,500		\$1,969
	Legal Services		\$0		\$0		\$41
	Management Consultants		\$37,075		\$276,272		\$99,055
	Miscellaneous Services		\$447,536		\$432,749		\$350,390
	Printing and Postage		\$80,500		\$500		\$50
	Software/Hardware Maintenance & Services		\$2,385,574 ¹		\$2,083,753		\$1,422,989
	Contract Labor		\$210,464		\$498,844		\$66,059
	Training and Travel		\$182,849		\$177,400		\$165,851
Total			\$11,131,128		\$10,865,691		\$8,745,809

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

¹ Increase reflects full year impact of equipment maintenance and license fees for hardware in support of NERC required backup control center, metro ethernet, and enterprise IT to

Power Resources & Strategic Planning Department - Operations & Maintenance Budget

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
	Wages / Benefits	12.00	\$1,539,587	13.00	\$1,559,415	15.00	\$1,914,916
Purchases	Energy		\$0		\$0		\$79,203
	Equipment		\$120,000		\$66,000		\$141
	EWEB Equipment		\$4,996		\$4,997		\$4,279
	Materials and Supplies		\$65,900		\$16,200		\$7,347
	Technology / Office Equipment		\$16,000		\$108,000		\$12,459
Services	Construction Agreements		\$30,100		\$0		\$30,463
	Fees and Licenses		\$160,000		\$160,000		\$165,022
	Grants		\$0		\$0		\$35,000
	Legal Services		\$126,000		\$125,000		\$134,546
	Management Consultants		\$90,000		\$202,000		\$26,346
	Miscellaneous Services		\$306,967		\$262,000		\$219,726
	Printing and Postage		\$0		\$0		\$358
	Software/Hardware Maintenance & Services		\$100,000		\$0		\$90,466
	Contract Labor		\$46,410		\$67,000		\$0
	Training and Travel		\$51,500		\$53,000		\$67,802
Total			\$2,657,460		\$2,623,612		\$2,788,074

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

Public Affairs Department - Operations & Maintenance Budget

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
	Wages / Benefits	10.00	\$1,260,933	10.00	\$1,270,439	12.00	\$1,161,160
Purchases							
	EWEB Equipment		\$1,508		\$1,175		\$1,231
	Fuels		\$0		\$0		\$25
	Materials and Supplies		\$20,980		\$23,299		\$4,484
	Stores Materials and Supplies		\$0		\$0		\$968
	Technology / Office Equipment		\$17,750		\$12,750		\$3,171
Services							
	Fees and Licenses		\$0		\$2,200		\$0
	Grants		\$858,000		\$877,600		\$753,930
	Legal Services		\$0		\$0		\$838
	Management Consultants		\$0		\$4,500		\$0
	Miscellaneous Services		\$212,105		\$193,335		\$155,334
	Printing and Postage		\$31,800		\$55,100		\$49,256
	Property Rent		\$0		\$0		\$185
	Contract Labor		\$10,000		\$31,500		\$22,291
	Training and Travel		\$27,340		\$28,840		\$21,039
Total			\$2,440,416		\$2,500,737		\$2,173,913

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

Trading & Power Operations Department - Operations & Maintenance Budget

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
	Wages / Benefits	15.00	\$2,498,415	16.00	\$2,584,670	18.00	\$2,331,797
Purchases	Energy		\$123,261,543		\$118,544,279		\$117,955,641
	EWEB Equipment		\$0		\$0		\$1,678
	Fuels		\$1,711,188		\$1,588,256		\$1,127,727
	Materials and Supplies		\$3,000		\$3,000		\$3,280
	Stores Materials and Supplies		\$0		\$0		\$66
	Technology / Office Equipment		\$11,700		\$12,200		\$188,049
Services	Construction Agreements		\$0		\$0		\$849,141
	Fees and Licenses		\$0		\$0		\$9,903
	Generation Incentives		\$0		\$0		\$448,361
	Legal Services		\$450,000		\$25,000		\$142,791
	Management Consultants		\$19,400		\$129,400		\$8,450
	Miscellaneous Services		\$7,772		\$5,328		\$56,770
	Software/Hardware Maintenance & Services		\$597,620 ¹		\$323,495		\$260,669
	Contract Labor		\$0		\$0		\$161
	Training and Travel		\$30,000		\$32,000		\$35,117
	Wheeling		\$9,930,764 ²		\$11,306,942		\$11,981,937
Total			\$138,521,402		\$134,554,570		\$135,401,536

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

¹ Software/Hardware increases primarily due to the slice optimization tool and other forecasting services.

² Wheeling reduction a result of change in Bonneville Power Association Network Transmission rates/ methodology and sales at EWEB's system.

Warehouse and Building Operations Department - Operations & Maintenance Budget

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE *	Dollars	FTE *	Dollars	FTE *	Dollars
	Wages / Benefits	14.00	\$1,305,985	13.00	\$1,235,579	17.00	\$1,345,346
Purchases							
	Energy		\$400,000		\$385,000		\$560,185
	Equipment		\$0		\$0		\$2,757
	EWEB Equipment		\$161,566		\$109,759		\$97,490
	Fuels		\$125,000	¹	\$370,800		\$10,000
	Materials and Supplies		\$226,100		\$335,400		\$220,392
	Stores Materials and Supplies		\$1,000		\$0		(\$15,962)
	Technology / Office Equipment		\$10,000		\$16,000		\$20,448
	Water		\$150,000		\$150,000		\$267,369
Services							
	Construction Agreements		\$750,000		\$740,000		\$260,595
	Fees and Licenses		\$5,000		\$6,000		\$5,186
	Miscellaneous Services		\$828,882	²	\$521,826		\$722,516
	Software/Hardware Maintenance & Services		\$38,000		\$35,000		\$28,973
	Contract Labor		\$35,000		\$0		\$5,125
	Training and Travel		\$13,700		\$13,000		\$9,371
	Tree Trimming		\$0		\$0		\$313
Total			\$4,050,233		\$3,918,364		\$3,540,104

* 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 operations & maintenance salary/benefits dollars may not directly align with FTE.

¹ Decrease in budgeted Natural Gas expense.

² Increase primarily due to grounds maintenance transferred from other departments.

Water Operations Department - Operations & Maintenance Budget

Includes: Utility Support Services, Water Distribution, Water Construction, Water Production and Water Quality

Description		2014 Proposed Budget		2013 Approved Budget		2012 Actual	
		FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
	Wages / Benefits	76.25	\$7,014,876	78.25	\$6,801,047	66.25	\$6,063,748
Purchases							
	Buildings		\$5,000		\$9,040		\$4,922
	Energy		\$892,440		\$892,440		\$858,367
	Equipment		\$67,748		\$76,323		\$50,673
	EWEB Equipment		\$562,185		\$515,394		\$792,653
	Fuels		\$2,300		\$500		\$3,390
	Landscaping		\$7,000		\$3,500		\$777
	Materials and Supplies		\$759,704		\$761,431		\$698,310
	Stores Materials and Supplies		\$373,755		\$248,855		\$380,566
	Technology / Office Equipment		\$56,607		\$54,322		\$23,996
	Vehicle Fuel and Oil		\$0		\$0		\$254
Services							
	Conservation Measures		\$15,000		\$0		\$0
	Construction Agreements		\$269,438		\$222,588		\$362,494
	Fees and Licenses		\$144,750		\$45,475		\$80,632
	Flagging		\$3,000		\$90,700		\$126,706
	Legal Services		\$0		\$0		\$137
	Low Income Services		\$10,000		\$0		\$0
	Management Consultants		\$3,000		\$0		\$0
	Miscellaneous Services		\$334,630		\$237,556		\$173,738
	Printing and Postage		\$10,600		\$8,000		\$3,927
	Software/Hardware Maintenance & Services		\$44,000		\$31,000		\$0
	Contract Labor		\$275,578		\$188,259		\$55,924
	Training and Travel		\$129,133		\$131,116		\$49,347
Total			\$10,980,745		\$10,317,546		\$9,730,561

* 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 operation & maintenance salary/benefits dollars may not directly align with FTE.

Attachment 3

Labor and Employee Benefit Costs



EUGENE WATER & ELECTRIC BOARD
LABOR AND EMPLOYEE BENEFITS
2014 BUDGET COMPARED TO 2013 BUDGET AND 2012 ACTUAL

	2014		2013		2012	
	Budget	% of Total wages	Budget	% of Total wages	Actual	% of Total wages
<u>Wages & benefits</u>						
Regular Wages	\$ 42,014,000	94.9	\$ 42,334,000	95.2	\$ 42,582,237	93.6
Overtime	2,240,000	5.1	2,123,000	4.8	2,890,133	6.4
Total wages	44,254,000	100%	44,457,000	100%	45,472,370	100%
Public employees retirement fund - normal cost	5,961,000	13.5	5,953,000	13.4	5,594,328	12.3
Social security/medicare tax	3,482,000	7.9	3,613,000	8.1	3,280,998	7.2
Health insurance	7,245,000	16.4	6,843,000	15.4	6,507,132	14.3
Post-retirement medical	- ◇	0.0	710,000	1.6	709,478	1.6
Long-term disability	214,000	0.5	292,000	0.7	261,423	0.6
Life insurance	389,000	0.9	397,000	0.9	357,651	0.8
Unemployment insurance	100,000	0.2	100,000	0.2	93,109	0.2
Workers' compensation insurance	420,000	0.9	450,000	1.0	287,797	0.6
Total benefits	17,811,000	40.2	18,358,000	41.3	17,091,916	37.6
Total wages & benefits, excluding unfunded actuarial liabilities (UAL)	62,065,000		62,815,000		62,564,286	
UAL - Public employees retirement system	8,447,000		8,526,000		7,183,561	
UAL - Post medical retirement	1,806,000 ◇		8,096,000 *		1,579,161	
Grand Total	<u>\$ 72,318,000</u>		<u>\$ 79,437,000</u>		<u>\$ 71,327,008</u>	

◇ Post retirement medical amount is included in UAL-Post medical retirement.

* Includes a \$7.0 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	12/31/13 Projected ¹	12/31/14 Projected ²	Target	12/31/13 Projected ¹	12/31/14 Projected ²
Reserves:						
Operating and Self Insurance	\$ 2,700	\$ 4,900	\$ 4,900	\$ 1,280	\$ 280	\$ 280
Power Operating	12,900	13,300	13,300			
Capital Improvement ³	7,500- 18,000	14,300	15,400	3,500-7,000	3,200	3,200
Total Reserves	23,100-33,600	32,500	33,600		3,480	3,480
Board Designated Funds:⁴						
Unallocated Power Fund		21,800	21,700			
Carmen Smith Funds		20,100	20,000			
Economic Development Loans		1,900	1,700		100	100
Water Stewardship Fund - Septic Repairs						
Pension and Medical Funds		4,000	4,000			
Total Designated Funds		47,800	47,400		100	100
Working Cash	24,000	29,400	32,200	3,400	3,400	6,100
Total Working Cash and Unrestricted Funds	<u>\$47,100-\$57,600</u>	<u>\$ 109,700</u>	<u>\$ 113,200</u>	<u>\$8,180-\$11,680</u>	<u>\$ 6,980</u>	<u>\$ 9,680</u>
Legally Restricted:						
Bond Funds - Capital	\$	21,200	\$ 12,700	\$	5,700	\$ 600
Reserves for Debt Service		15,700	15,700		4,000	4,000
Total Restricted Funds		<u>\$ 36,900</u>	<u>\$ 28,400</u>		<u>\$ 9,700</u>	<u>\$ 4,600</u>

1. Projections as of October 31, 2013

2. 2014 changes to unrestricted reserves are included in working cash. The Board will officially transfer funds in the second quarter of 2014

3. 12/31/13 projection includes funds for approved capital projects that will be continued in 2014

4. Designated funds are used for one-time expenses.

Attachment 5

Major Capital Projects



EUGENE WATER & ELECTRIC BOARD
MAJOR CAPITAL PROJECTS

Electric projects over \$500,000

Water projects over \$250,000

Program/Project Number	Job Number	Program/Project/Job Name	Budgeted Amount	
34931		Strategic Technology		
	35027	WACFR Implement Asset and Work Management	\$ 2,680,204	-1-
	35228	WACFR Implement Mobile Work Management	588,020	-1-
14009		Substation Capital Additions		
	37394	Station Transformer Replacement Plan-Umbrella	700,016	-2-
	37395	Transmission Breaker Replacement Plan -Umbrella	500,005	-2-
	37397	Upriver System Improvement Plan-Umbrella	750,006	-2-
14513		Distribution Reliability Improvement		
	30817	Live Front switch replacements	560,991	-2-
	35725	Network Rebuild - Umbrella	3,523,621	-2-
18043		Leaburg-Waltermville Capital Expenditures		
	36146	Leaburg Dam Gate Improvements and Spare Parts	1,186,280	-2-
25362		Capital Public Work		
	29823	Primary Neutral Addition	1,248,445	-2-
32546/ 22639		Carmen-Smith License Implementation	3,232,000	-2-

(continued)

EUGENE WATER & ELECTRIC BOARD
MAJOR CAPITAL PROJECTS

Electric projects over \$500,000

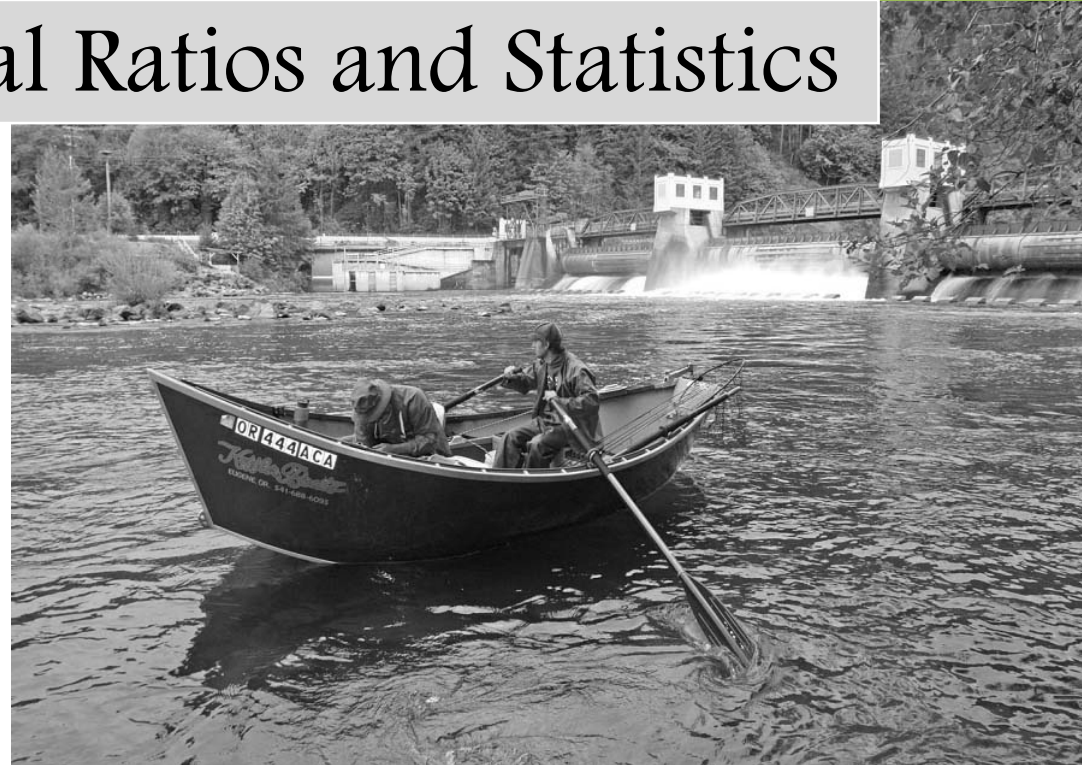
Water projects over \$250,000

Program/Project Number	Job Number	Program/Project/Job Name	Budgeted Amount	
(continued)				
14017		Water Reservoir - Additions		
	37315	College Hill 703 Reservoir Decommission	309,079	-3-
	33789	Willamette 800 No. 1 Reservoir Repair & Structural upgrade	1,543,762	
14018		Water Services & Meters		
	37341	Replacement of Water Meters	514,999	-3-
	37352	New 1" Services	368,911	-3-
14152	32630	Water Main Replacements - Umbrella	3,090,000	-3-
14196		Water Source Additions		
	29719	Hayden Bridge Intake- Intake Screen and Misc Improvements	2,370,686	-3-
14203		Water Main Improvements		
	37385	Kingsley Road Loop Improvement	286,445	-3-
14204		Pump Station		
	36296	Distribution SCADA/PLCs	360,582	-3-
14270		Treatment Plant Additions		
	36294	Basic Structural Rehabilitation & Seismic Improvement	865,302	-3-
Total			\$ 24,679,354	

Note: -1- Electric & Water Projects, -2- Electric Only Projects, -3- Water Only Projects

Attachment 6

Budgeted Financial Ratios and Statistics



EUGENE WATER & ELECTRIC BOARD
BUDGETED FINANCIAL RATIOS
December 31, 2014

	Electric Utility	Water Utility
Debt Service Coverage Ratio ¹	1.74	2.69
Days Cash ²	130	123
Target		
Debt Service Coverage Ratio	range of 1.75-2.00	range of 2.0-2.50
Days Cash	90 to 149 days	90 to 120 days

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.

Rely on us.