



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

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

FROM: Sue Fahey, Assistant General Manager/CFO; Deborah Hart, Financial Services Manager; Adam Rue, Fiscal Services Supervisor; and Nate Schultz, Senior Financial Analyst

DATE: November 25, 2019

SUBJECT: 2020 Proposed Budgets and Prices, including updates for Water System Development Charges, Electric Business Growth and Retention Credit, Partial Requirements Service Pricing, and Distributed Generation Prices

OBJECTIVE: Approval of 2020 Budget and Price Proposals

Issue

At the November 5, 2019 Board meeting, staff presented proposals for the Electric and Water Utilities' 2020 budgets and prices. Additionally, the first of two public hearings on these topics was held. Based on Board direction, final proposed budgets and prices were prepared for the December meeting. The Board is required by statute to approve the Utility budgets prior to January 1.

Background

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

At the November Board meeting, staff presented proposed budgets and recommended price updates, which included:

- Annual updates to Distributed Generation Rates, Business Growth & Retention Credit, Partial Requirements Service Pricing, and Water Contract Customer Prices
- Modification to language in Large General Service Price Schedule
- System Development Charge Updates

The Board directed staff to move forward with the proposed budgets and prices as presented. Specific details of the price changes are included in Attachments 4-9.

Updates from the Prior Board Meeting

The pricing information and the Proposed Budgets changes from the November 5, 2019 Board materials were relatively minor and consisted of:

- In the Large General Service Price Schedule, the proposed additional language was modified to reflect “eligible” rather than “new” customers since we have a current customer under contract, which can be found in Attachment 4.
- Added Board member term expiration, which can be found at the beginning of the budget document.
- Struck sentence from the Letter to Board of Commissioners “Balances remain at or above Board targets in all subsequent years of the long term financial plan” to reflect updated reserves balance projections.
- Minor wording and rounding edits

Additionally, projected reserve balances information has been included in the proposed budgets document.

Requested Board Action

After the public hearing on the 2020 Budgets and Price Proposals, Management recommends approval of Resolutions No. 1933, 1934, 1935, and 1929 adopting the budgets, water and electric prices, and SDC policy edits.

Attachment 1 – 2020 Key Budget Assumptions

Attachment 2 – Median Household Income (MHI) %

Attachment 3 – Average Bill Comparison

Attachment 4 – Electric Large General Service Charges and Prices

Attachment 5 – Proposed Business Growth and Retention Credit

Attachment 6 – Proposed Customer Generation Rates

Attachment 7 – Proposed Partial Requirements Service Pricing

Attachment 8 – Proposed Surplus and Wholesale Water Contract Pricing

Attachment 9 – Proposed System Development Charges

2020 Key Budget Assumptions

Both Utilities

- 2.0% non-labor CPI increase
- Labor/benefit changes:
 - 3.1% wage escalation
 - PERS – Incorporated the impact of the PERS 2019 side account deposit, including state matching funds, and payoff of transition liability, resulting in 7.8 percentage point reduction in PERS rate
 - Health insurance increase – 11%

Electric

- Retail load approximately the same as 2019 budget – 2.4 million MWh
- 2019 contribution margin risk tolerance of \$3.6 million which is representative of a 90% generation or a 3% load reduction
- Reflects BPA final rates for the Bonneville rate period
- Assumes Leaburg outage throughout the entire year
- \$25 melded mid-market price curve

Water

- 7.8 million KGAL consumption
 - Contribution margin risk tolerance of \$950,000

Median Household Income (MHI) %

Background

The source of each comparator's median household income (MHI) is from the United States Census Bureau website. The approach bases on the following data:

1. Monthly water and electric bill at average residential consumption per month
2. Annual bills at same level of use
3. Median Household Income in 2017

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

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

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

<u>Eugene, Oregon</u>	<u>Current Prices</u>
Monthly water & electric bills at overall average residential consumption (Average : water consumption 7 kgal; electric consumption 1,050 kWh)	\$146.83
Annual bill at same level of use	\$1,762
Median Household Income (MHI) in 2017 for Eugene, Oregon	\$47,489
Water & Electric % MHI	3.71%
<u>Portland, Oregon</u>	<u>Current Prices</u>
Monthly water & electric bills at overall average residential consumption (Average : water consumption 7 kgal; electric consumption 1,050 kWh)	\$217.79
Annual bill at same level of use	\$2,613
Median Household Income (MHI) in 2017 for Portland, Oregon	\$61,532
Water & Electric % MHI	4.25%
<u>Medford, Oregon</u>	<u>Current Prices</u>
Monthly water & electric bills at overall average residential consumption (Average : water consumption 7 kgal; electric consumption 1,050 kWh)	\$129.10
Annual bill at same level of use	\$1,549
Median Household Income (MHI) in 2017 for Medford, Oregon	\$45,361
Water & Electric % MHI	3.41%

Salem, Oregon

Monthly water & electric bills at overall average residential consumption
(Average : water consumption 7 kgal; electric consumption 1,050 kWh)

Annual bill at same level of use

Median Household Income (MHI) in 2017 for Salem, Oregon

Water & Electric % MHI

Current Prices

\$129.86

\$1,558

\$51,666

3.02%

Vancouver, Washington

Monthly water & electric bills at overall average residential consumption
(Average : water consumption 7 kgal; electric consumption 1,050 kWh)

Annual bill at same level of use

Median Household Income (MHI) in 2017 for Vancouver, Washington

Water & Electric % MHI

Current Prices

\$128.76

\$1,545

\$55,593

2.78%

Tacoma, Washington

Monthly water & electric bills at overall average residential consumption
(Average : water consumption 7 kgal; electric consumption 1,050 kWh)

Annual bill at same level of use

Median Household Income (MHI) in 2017 for Tacoma, Washington

Water & Electric % MHI

Current Prices

\$145.46

\$1,746

\$55,506

3.15%

Seattle, Washington

Monthly water & electric bills at overall average residential consumption
(Average : water consumption 7 kgal; electric consumption 1,050 kWh)

Annual bill at same level of use

Median Household Income (MHI) in 2017 for Seattle, Washington

Water & Electric % MHI

Current Prices

\$194.88

\$2,339

\$79,565

2.94%

Everett, Washington

Monthly water & electric bills at overall average residential consumption
(Average : water consumption 7 kgal; electric consumption 1,050 kWh)

Annual bill at same level of use

Median Household Income (MHI) in 2017 for Everett, Washington

Water & Electric % MHI

Current Prices

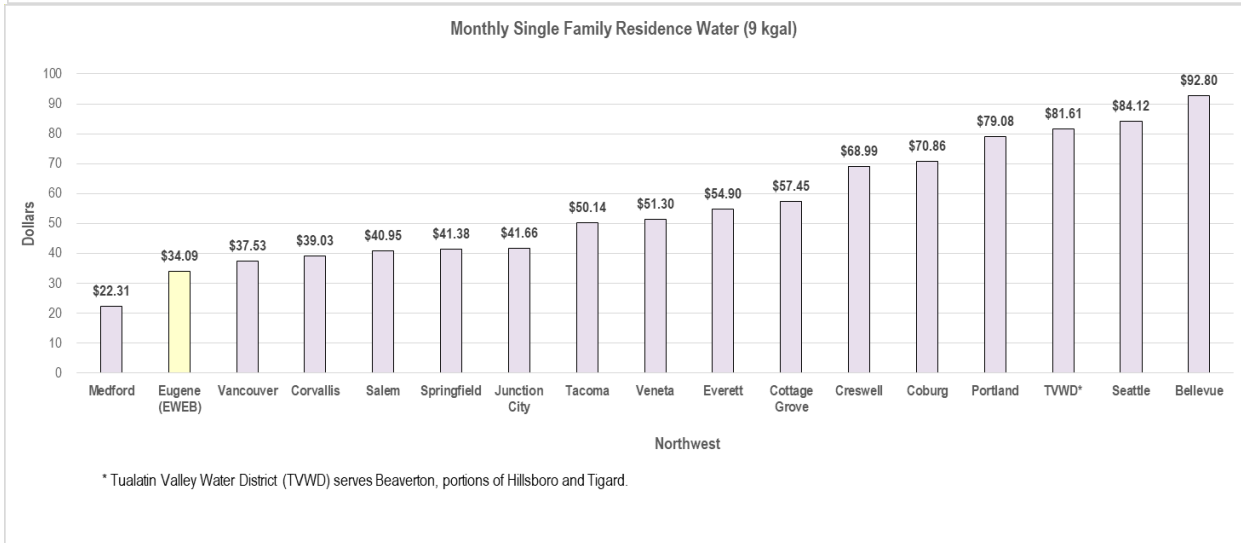
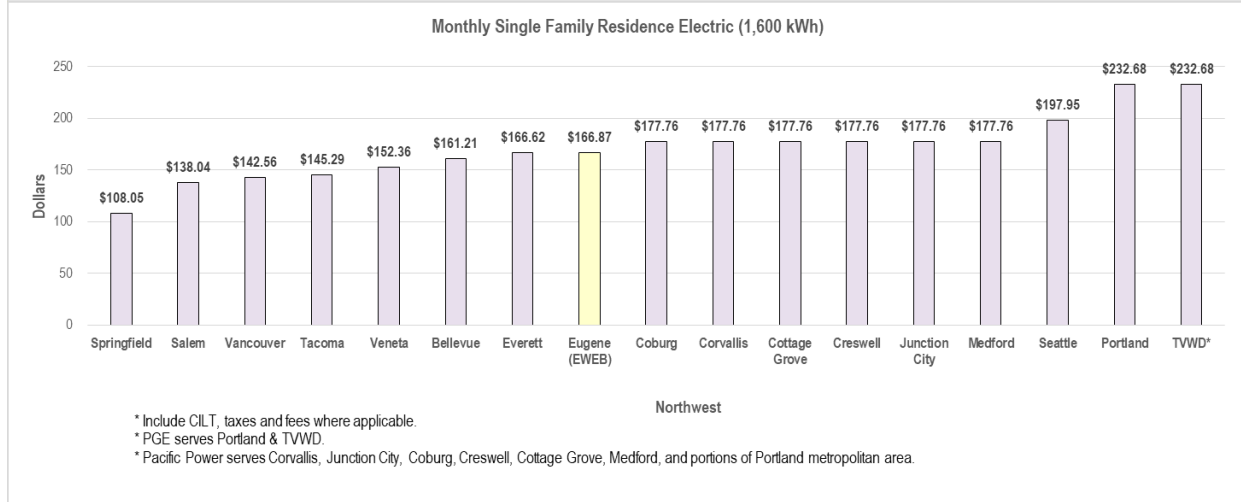
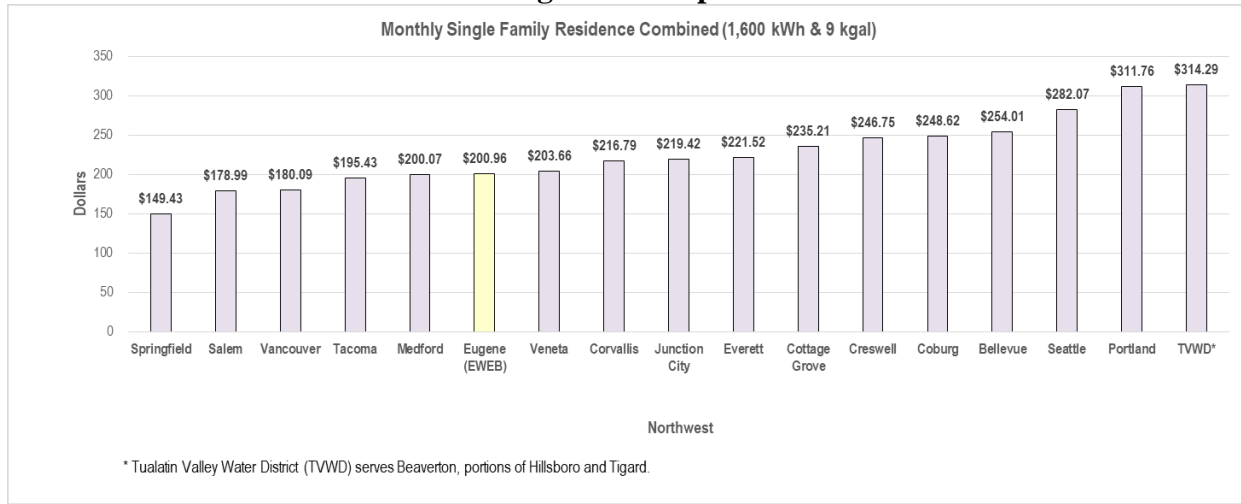
\$152.05

\$1,825

\$54,562

3.34%

Average Bill Comparison



Large General Service Price Schedule

In December 2018, the Board approved Resolution No. 1833 to modify Electric Prices with no changes to the Large General Service prices.

The **Large General Service Schedule G-3** is applicable for demand from 501 to 10,000 kilowatts of demand. However, EWEB currently is providing service to one customer within this range under retail power supply contract. The proposed language allows EWEB to provide service for Large General Service applicable demand under either the applicable schedule or by separate power service contracts to align with current business practice and the Very Large General Service class (for demand over 10,000 kW).

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

- Large General Service, Schedule G-3
(For Services from 501 kW to 10,000 kW)

The proposed changes to the Customer Service Policy, Appendix B are within the Special Provisions section for the price schedules, beginning on the next page. Refer to Customer Service Policy for complete schedule. Proposed additions to the policy are in red print and proposed eliminations are in red strike-through print.

A. CUSTOMER SERVICE POLICY, APPENDIX B - ELECTRIC SERVICE CHARGES AND PRICES, Large General Service - Schedule G-3 (For Service from 501 kW to 10,000 kW)

8. Special Provisions – Primary Service

- a. The Customer shall provide, own, install and maintain all necessary transformers, cutouts, protection equipment, concrete slab or vault, primary metering enclosure, and all distribution equipment beyond the Point of Delivery. EWEB will furnish and install all distribution Facilities to the Point of Delivery and the primary potential and current transformers.
- b. For Primary Service under this Price Schedule, transformer losses will be borne by the Customer and will be measured or calculated at the option of EWEB.
- c. Service to eligible Loads will be provided under the Large General Service Price Schedule G-3 or by separate power service contracts at the discretion of the General Manager.**

Proposed Business Growth and Retention Credit

In July 2019, the Board approved Resolution No. 1918 to modify the Business Growth and Retention Credit. The BGR Credit is to be reviewed annually and updated as a part of the annual price process.

The **BGR Credit** is based on the differential between ICE Mid-C Flat wholesale power prices and retail prices and therefore is calculated using the same market prices used in the annual budget and retail rate development process. The credit applies to new and expanding businesses to provide a short-term discount to electric pricing to support business growth when the development demonstrates clear economic, environmental, and community benefits.

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

- Business Growth and Retention CREDIT
(For Services from 100 kW to 10,000 kW of New or On-going Incremental Demand)

The proposed changes to the Customer Service Policy, Appendix B are within the Energy Charge section, beginning on the next page. Refer to Customer Service Policy for complete schedule. Proposed additions to the policy are in red print and proposed eliminations are in red strike-through print.

CUSTOMER SERVICE POLICY, APPENDIX B - ELECTRIC SERVICE CHARGES AND PRICES

S. Business Growth and Retention CREDIT (BGR-1) (For Service from 100 kW to 10,000 kW of New or On-going Incremental Demand) (Resolution No. 1918)

3. Price

The BGR-1 Credit is calculated annually based on the difference between the average ICE Mid-C Flat forward price curve and the Customer's average applicable retail energy (kWh) price. The value associated with the difference between market and retail pricing is shared between EWEB and the Customer.

2020 ~~19~~ BGR Price for Medium General Service Customers: ~~\$0.012~~ **\$0.015** per kilowatt hour

2020 ~~19~~ BGR Price for Large General Service Customers: ~~\$0.008~~ **\$0.012** per kilowatt hour

The BGR-1 Credit is exclusively applied to the new or incremental energy (kWh) use in the form of an annual bill credit. The BGR Credit will not be paid for any Billing Period that Customer fails to meet 100 kW minimum additional Demand.

Proposed Electric Customer Generation Rates

In August 2018, the Board approved Resolution No. 1822 for customer generation rates for 2019. This rate is approved annually and is set at EWEB's avoided cost, which is based on the ICE Mid-C forward market price. EWEB's Power Purchase Rate Schedules provide rates for purchasing electricity from two different renewable customer-generation configurations.

The **Renewable Net Metered Rate** is designed for customers with installed capacity less than or equal to 25kW who generate surplus renewable electricity. At the end of each monthly meter reading cycle, excess energy generated shall be credited at the Renewable Net Metered Rate. The rate for the excess energy is based on a one-year energy value, based on the avoided cost to EWEB and scaled up to account for transmission and distribution loss reductions resulting from customer generation resources. The customer retains the right to Renewable Energy Credits (RECs) if applicable.

The **Annual Renewable Generation Purchase Rate** is designed for customers with generation systems greater than 25 kW and less than 200 kW, who elect to sell available energy and RECs from their system to EWEB. The rate is available to customers with new or existing distributed generation. This rate includes the same one-year energy value and scaling for transmission and distribution losses as the Renewable Net Metered, and the one-year value of RECs retained by EWEB.

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

- Power Purchase Rates Schedules (Customer Generation Systems Less than 200 kW)
 - Renewable Net-Metered Rate
 - Annual Renewable Generation Purchase Rate

The proposed changes to the Customer Service Policy, Appendix B are within the Energy Charge section for the purchased power rates schedules, beginning on the next page. Refer to Customer Service Policy for complete schedule. Proposed additions to the policy are in red print and proposed eliminations are in red strike-through print.

CUSTOMER SERVICE POLICY, APPENDIX B - ELECTRIC SERVICE CHARGES AND PRICES

**V. Power Purchase Rate Schedules
(Customer Generation Systems Less than 200kW)**

- a. Renewable Net-Metered Rate Schedule
(For Generation Less than or Equal to 25 kW)

Renewable Net-metered Rate

Excess generation for CG Systems will be credited based on the following rate:

All kWh of excess generation. **\$0.0297** ~~**\$0.0255**~~ per
kWh
(Resolution No. 1720)
(Resolution No. 1822 – See Revision History)

- b. Annual Renewable Generation Purchase Rate Schedule
(For Generation Greater than 25 kW and Less than 200 kW)

Annual Renewable Generation Rate

All purchased power **\$0.0304** ~~**\$0.0269**~~ per
kWh
(Resolution No. 1720)
(Resolution No. 1822 – See Revision History)

Partial Requirements Service Pricing

In December 2017, the Board approved Resolution No. 1735 for electric partial requirements service pricing effective in 2018. There are currently no customers on this price schedule.

The **Partial Requirements Service Pricing** uses marginal energy and transmission costs, which is based on weighted ICE Mid-C wholesale power prices and probability of peak analysis for incremental transmission purchases from Bonneville Power Administration for time differentiated energy charges. The Basic Charge and Facilities Charge are derived from the embedded cost of service analysis (COSA) and the Power Indifference Charge reflects the difference between marginal and embedded energy costs.

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

- Partial Requirements Service Pricing
(For Services from 1,000 kW or greater)

The proposed changes to the Customer Service Policy, Appendix B are within the Energy Charge section, beginning on the next page. Refer to Customer Service Policy for complete schedule. Proposed additions to the policy are in red print and proposed eliminations are in red strike-through print.

APPENDIX B - ELECTRIC SERVICE CHARGES AND PRICES

T. Partial Requirements Service Pricing (C-PRP)

(For Service from 1,000 kW or greater)

(Resolution No. 1735)

- 2. Monthly Price
(Resolution No. 1635)
(Resolution No. 1735)

Basic Charge: ~~\$710.15~~ ~~\$358.70~~ per month

Facilities Charge:

Per Kilowatt of Facilities Capacity ~~\$3.57~~ ~~\$4.43~~ per gross kW

Power Indifference Surcharge:

Per Kilowatt of Facilities Capacity ~~\$19.92~~ ~~\$16.37~~ per gross kW

Energy Charge:

Summer On-Peak Kilowatt-Hours ~~\$0.0375~~ ~~\$0.0340~~ per kWh
Summer Mid-Peak Kilowatt-Hours ~~\$0.0278~~ ~~\$0.0231~~ per kWh
Summer Off-Peak Kilowatt-Hours ~~\$0.0176~~ ~~\$0.0154~~ per kWh
Shoulder On-Peak Kilowatt-Hours ~~\$0.0316~~ ~~\$0.0272~~ per kWh
Shoulder Mid-Peak Kilowatt-Hours..... ~~\$0.0237~~ ~~\$0.0219~~ per kWh
Shoulder Off-Peak Kilowatt-Hours..... ~~\$0.0173~~ ~~\$0.0179~~ per kWh
Winter On-Peak Kilowatt-Hours ~~\$0.0390~~ ~~\$0.0334~~ per kWh
Winter Mid-Peak Kilowatt-Hours..... ~~\$0.0316~~ ~~\$0.0289~~ per kWh
Winter Off-Peak Kilowatt-Hours..... ~~\$0.0269~~ ~~\$0.0242~~ per kWh

Surplus and Wholesale Water Sales

The **Surplus and Wholesale Water Sales** prices are contracted rates that are found within the Customer Service Policies and are approved by the Board.

Proposed changes to Customer Service Policy, Appendix C affect all pricing changes within Surplus and Wholesale Water Sales.

- **Schedule 4** - River Road Water District and Santa Clara Water District
- **Schedule 5** - Willamette Water Company
- **Schedule 6** - City of Veneta

The proposed changes to the Customer Service Policy, Appendix C are within the Water Service Charges and Prices, as shown beginning on the next page. Refer to Customer Service Policy for complete schedule. Proposed additions to the policy are in red print and proposed eliminations are in red strike-through print.

APPENDIX C - WATER SERVICE CHARGES AND PRICES

J. Surplus and Wholesale Water Sales

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

Schedule 4

- 1. Applicable

To the River Road Water District and Santa Clara Water District

- 2. Monthly Rate

Basic Charge.....~~\$3,510.33~~ **\$3,678.83** per month

Volume Charge (Resolution No. 1634)

All gallons..... ~~\$3.009~~ **\$3.153** per 1,000 gallons

- 3. Minimum Charge

Applicable monthly basic charge.

- 4. General Terms and Conditions

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

Schedule 5

- 1. Applicable

To the Willamette Water Company.

- 2. Monthly Rate (Resolution No. 1634) (Resolution No. 1832 – See Revision History)

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

Basic Charge

< 1”	\$29.61 \$28.69	per month
1”	\$39.96 \$38.72	per month
1 – 1/2”	\$61.08 \$59.19	per month
2”	\$109.49 \$106.10	per month
3”	\$246.69 \$239.04	per month

4"	\$408.11	\$421.17	per month
6"	\$612.37	\$631.96	per month
8"	\$886.43	\$914.79	per month

Volume Charge

Plus all gallons	\$3.653	\$3.770	per 1,000 gallons
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3. Minimum Charge

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

4. General Terms and Conditions

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

Schedule 6

1. Applicable

To the City of Veneta.

2. Monthly Rate (Resolution No. 1634)

Basic Charge	\$991.48	\$927.48	per month
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Volume Charge

All gallons.....	\$1.253	\$1.172	per 1,000 gallons
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3. Minimum Charge

Applicable monthly basic charge provided.

4. General Terms and Conditions

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

CUSTOMER SERVICE POLICY, APPENDIX C - WATER SERVICE CHARGES AND PRICES

Water System Development Charges

These policy change proposals enable a reduced SDC for small housing units under 800 square feet and establish procedures for EWEB to offset SDCs for certain qualified low income housing projects. Changes also align SDC price schedules with standard residential metering equipment. A resolution will be drafted for Board review at the December meeting to ratify the changes as superseding any prior agreements or resolutions related to the previous SDC grant program for low income housing.

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

- Conditional Waivers for Low Income Housing Projects

The proposed changes to the Customer Service Policy, Appendix 5 are added to the Water System Development Charges Section of the Customer Services Policy, beginning on the next page. Proposed additions to the policy are in red print and proposed eliminations are in red strike-through print.

APPENDIX D – WATER SYSTEM DEVELOPMENT CHARGES

A. Background

Effective July 1, 1997, EWEB will apply a Water System Development Charge (SDC) to fund capital improvements to meet increased demands on the system caused by new users. This SDC is separate and in addition to any applicable line extension charges, service and Meter installation fees.

EWEB's SDC consists of reimbursement, improvement, and administration charges. The reimbursement charge is based on the value of unused system capacity and is determined by establishing the existing water system plant value and the current system capacity available for future development. The improvement charge is based on the projected water demand necessary to serve future growth and the projected cost of corresponding system improvements identified in EWEB's Water System Capital Improvement Plan. The administration charge covers costs associated with accounting, billing, collection, and periodic review.

These SDCs have been developed and approved by EWEB in accordance with the requirements of ORS 223.297 to 223.314. EWEB's SDC methodology and calculations shall be formally reviewed no less than once every five years, and updated to reflect changes in capital requirements, growth projections, and other material factors that affect determination of the charge. Between each formal review cycle, the charges incorporated herein may be adjusted by application of an appropriate cost index to reflect annual increases in construction costs.

Copies of the technical methodology and other information concerning the basis for this charge are available for public inspection at the EWEB offices.

B. Application

A SDC shall apply to all new Water Services installed and additional demands placed on the water system on and after July 1, 1997 unless otherwise **waived or** exempted by the provisions of this policy. Assessment and collection of the charges **due** shall occur at the time a completed new service and/or Meter installation order is placed by the Property Owner, or in the case of a change in use or occupancy, at such time that a building permit is issued for an improvement or modification which results in a new or increased demand on the water system.

C. General Provisions and Requirements

The schedule of charges is based on the size of the Meter installed. The larger the Meter, the higher the cost since a greater demand is placed on the system. The SDC **methodology** is based on a standard 5/8 inch Meter having a typical peak day maximum demand of 871 gallons per day. Charges for all other Meter sizes are determined on flow capacity equivalent to a 5/8 inch Meter.

Installation of Water Services and Meters will not proceed until all SDCs and other applicable charges have been billed to and/or paid by the Property Owner in accordance with EWEB's established billing and collection procedures.

D. Schedule of Charges

~~The table below shows the adjusted SDC charges effective May 1, 2016.~~ EWEB is using an average index rather than a City specific index to provide a smoother trend, avoiding City specific susceptibility to price spikes.

Meter Size	Meter Equivalence	System Development Charge	
		SDC (Base)	SDC (Upper Level)*
< 1" 5/8	1	\$ 2,276.00	\$ 3,063.00
3/4"	1.5	\$ 3,415.00	\$ 4,594.00
1"	2.33	\$ 5,691.00	\$ 7,657.00
1.5"	5	\$11,382.00	\$15,314.00
2"	8	\$18,211.00	\$24,502.00

* Service areas that are directly fed through pressure levels 800 or above will be charged the upper level SDC.
(Resolution No. 1613)

E. Calculated Charges

SDCs for Meter sizes above 2 inches will be calculated manually based on the estimated maximum day demand expressed in 5/8 inch Meter equivalents. EWEB reserves the right to calculate manually the SDC for any service or Meter size which in EWEB's determination will exhibit demand characteristics inconsistent with assumptions made for purposes of establishing the above schedule of charges. Such instances may include, but are not limited to, **accessory dwelling units (ADUs) or equivalent dwellings (800 square feet or less)**, individually Metered multi-family residential units, large irrigation services, and other applications which fall outside the typical use patterns of EWEB's various Customer classifications.

In cases where the SDC is calculated manually, EWEB may review subsequent actual water demands of the Property Owner, and retroactively adjust the SDC charge up or down to reflect deviations from the estimated water demand used to determine the original SDC amount. Such adjustments will typically be made within 24 months of the service installation, unless a longer period is required to establish the Customer's water use characteristics due to partial occupancy, operation, or production.

F. Changes in Use and/or Occupancy

When a new use or change in occupancy occurs that is an expansion or replacement of an existing development, the Property Owner shall pay an SDC for any increase in water demands placed on the system. Such charge shall be calculated and

assessed on the additional increment of capacity required, or the incremental difference between the new larger service and the original service.

G. Credits

Credits against the improvement fee portion of the SDC will be granted for qualified public improvements. An example of a qualified public ~~ying~~ improvement would be when a Property Owner is required to install and pay for a water Main sized larger than necessary for that development to serve future system demands. The credit applies only to the improvement fee portion of the SDC, and cannot be larger than the original calculated improvement fee.

H. Exemptions

Unmetered fire lines, hydrant connections, and other Water Services installed solely for the provision of fire protection do not place routine demands on the water system, and therefore are not subject to an SDC.

Temporary Water Services of a short-term, transient nature shall not be assessed an SDC, until such time that they may be converted to service of a permanent nature, in which case the applicable SDC shall be assessed at that time. Water Services provided to vacant properties or unimproved parcels shall be considered temporary until such time buildings or other improvements associated with a permanent occupancy are constructed.

I. Abandonment of Services

When property has been previously served and the service has been abandoned, SDCs will not be assessed if the service being requested is the same size or smaller than the original service and the associated water demands are comparable. In this case, the Property Owner must demonstrate that either a previous SDC was paid, or that the original service was installed prior to implementation of this policy.

J. Conditional Waivers for Low-Income Housing Projects

EWEB may waive, in whole or in part, SDCs for low-income housing projects. To ensure Water Utility financial stability, working cash must be \$500,000 above the Board target. Low-income housing projects may include multi-family rental developments, single family home ownership developments, accessory dwelling units, tiny homes, and other non-traditional housing developments with a common facility for water service.

EWEB will use the same criteria to determine eligibility for conditional waivers that the City of Eugene uses to determine eligibility for its SDC exemptions for low-income housing developments under Eugene City Code. Low-income housing projects must first receive approval from the City of Eugene through its SDC exemption program before EWEB may grant a conditional waiver under this subsection.

The amount of the SDC waiver granted to each low-income housing project will be determined by EWEB and may consider water usage characteristics, water system impacts, the aggregate dollar amount of waivers requested in any given year, the number of eligible projects requesting waivers in any given year, and other relevant factors, for the purpose of arriving at an equitable allocation of available SDC waivers among eligible projects.

SDC waivers over \$50,000 for a single project or over \$100,000 in aggregate annually, will require General Manager or designee approval. Notwithstanding Section 2.3 of this policy, there shall be no right to appeal any decision by EWEB regarding the approval, denial, or amount of any waiver provided under this subsection.

In the event the property for which a waiver is granted ceases to be used for housing for low-income persons or is sold or transferred for use other than housing for low-income persons within five years from the date the waiver is granted, the individual or business to whom the waiver was granted shall be required to pay EWEB the amount of the waived SDCs, plus interest at the statutory rate for interest on a judgment from the date the waiver was granted. EWEB shall be entitled to seek payment and pursue all available remedies for SDCs due, including recording a lien against the title to the benefited property.

For the purpose of determining eligibility of a project for a conditional waiver under this subsection, the terms “low-income persons” shall have the same meanings as those terms are used by the City of Eugene for its SDC exemption.

REVISION HISTORY

Version	Section Revised / Description	Resolution No.	Approved	Effective
1	Adopted updated SDC rate methodology	No. 1613	04/05/16	05/01/2016
2	Moved Water System Development Charges from Water Utility Policy into Customer Service Policy, Appendix D	No. 1816	06/05/18	06/06/18



EUGENE WATER & ELECTRIC BOARD
PROPOSED BUDGET
2020



DECEMBER 3, 2019

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Rely on us.

BOARD OF COMMISSIONERS

Commissioner / President
SONYA CARLSON
Wards 6 & 7
Term Expires First Meeting
After 2020

Commissioner / Vice
President
STEVE MITAL
Wards 1 & 8
Term Expires First Meeting
After 2020

Commissioner
DICK HELGESON
Wards 2 & 3
Term Expires First Meeting
After 2020

Commissioner
MINDY SCHLOSSBERG
At Large
Term Expires First Meeting
After 2022

Commissioner
JOHN BROWN
Wards 4 & 5
Term Expires First Meeting
After 2022

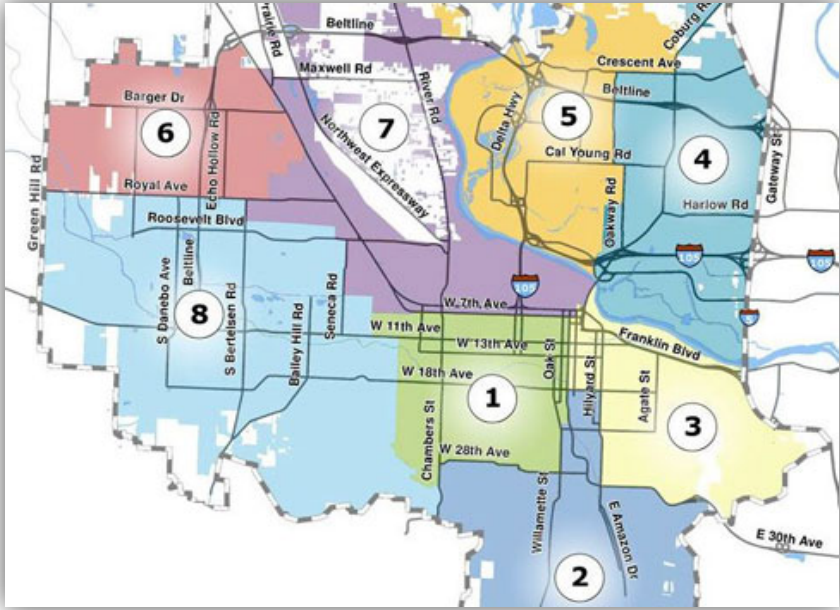


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LETTER TO THE BOARD OF COMMISSIONERS

Board of Commissioners,

The 2020 Eugene Water & Electric Board Operations & Maintenance (O&M) and Capital & Debt Service proposed budgets, totaling \$285.3 million for the Electric Utility and \$43.7 million for the Water Utility, are submitted for your consideration and approval. The combined total for both Utilities is \$329.0 million which is approximately 7% above the 2019 budget. The increase was driven by higher capital spending for both water and electric utilities as well as higher purchased power costs, which are offset by wholesale revenue, resulting in no net change to the bottom line. The increased capital investment supports EWEB's strategic direction in improving resiliency and fostering customer confidence, as well as supports our core values of Safety, Reliability, Responsibility and Community by providing customer-owners with better service, building a more resilient community by reducing outage response times, and creating a cleaner energy future. Both Utilities are proposing no change in overall revenue requirement or price increases. If the proposal is approved, this would be the fifth out of six years that the Electric Utility has not increased prices, and the third year the Water Utility has not increased prices.

EWEB continues to focus on fostering customer confidence by maintaining sustainable spending levels and continuing to assess how much of a customer's median income is spent on utility bills. Spending in 2020 to support the customer experience improvement project and meter infrastructure replacement project will help EWEB to improve the customer experience and work in partnership with customer-owners to respond more effectively to water leaks and power outages. In addition, the meter infrastructure replacement project will support EWEB's strategic initiatives by providing demand side information to assist with decisions regarding the Utility's power supply portfolio. These decisions will be made in the context of climate change, new technology, developing markets and the need to synchronize supply and demand in a highly volatile and interconnected system.

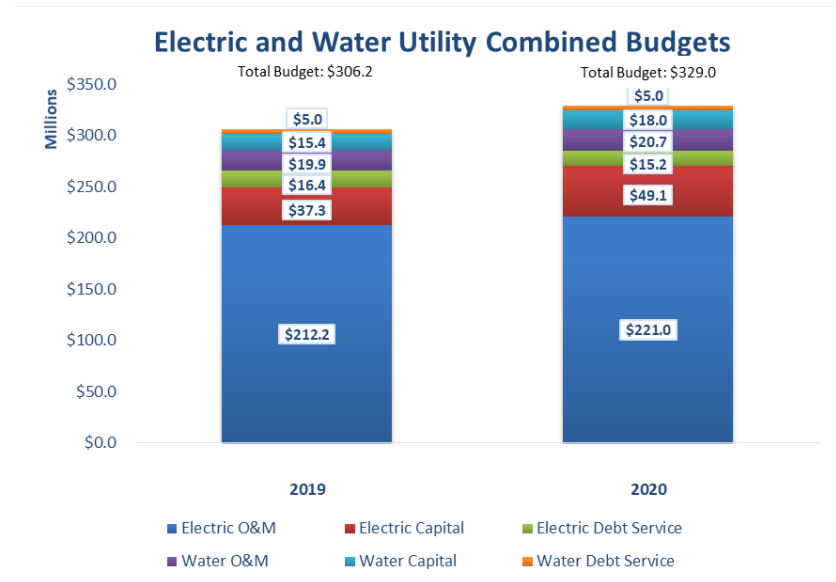
The proposed budgets also include a continued commitment to investing in emergency preparedness and response, including emergency water stations across the community and water supply

trailers. As EWEB considers multiple strategies to reduce costs and manage long-term obligations, the Utility must balance the reliability of its electric and water systems with reasonable risk.

The Electric Utility's long-term financial plan indicates future price increases to meet revenue requirements. The ten year compounded price increase projection is 18.5%, which is consistent with previous projections of 17% and 19% in 2018 and 2017, respectively. This consistency has been achieved through a combination of cost containment and strategic use of reserves to reduce ongoing O&M costs and smooth price increases.

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

The following chart depicts the combined Electric and Water budgets for 2019 and 2020.



EWEB's adopted Integrated Resource Plan indicates the current supply of resources will meet its customer-owners' energy requirements for the next five years. For the 2020 proposed budgets, base retail load remains similar to 2019 budget levels – however, EWEB continues to refine products and services that

incent customer-owners to use our carbon-responsible power as an alternative to other forms of fuel and will continue to monitor the impacts of these programs on peak demand and energy sales.

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

1. Reduction of \$92 million in debt from asset sales and strategic use of reserves, as well as savings of \$19 million from advanced refunding of \$126 million in bonds, between 2015 and 2019
2. Deposit to PERS side account, including state matching funds, and payoff of transition liability
3. Reduced projected spending on Carmen-Smith and planned use of Headquarters sale proceeds to reduce borrowing for relicensing

These actions have or will result in significant improvement to the DSC ratio. The impact of utilizing cash to improve debt service has put some pressure on cash balances, and days cash on hand appears to be emerging as the Electric Utility's challenged financial metric.

The Water Utility's challenged financial metric historically has been maintaining cash reserves at or above the Board approved targets. In recent years however, the Water Utility has built up strong cash reserve balances. The Water Utility has managed this by strategically reducing costs, designing price structures that increase fixed cost recovery, asset sales, and prudently using reserves to strengthen financial metrics. A second filtration plant to increase resiliency is being considered. This project will put pressure on cash/reserves for the latter years of the ten-year plan.

EWEB continues to be a strong community partner as evidenced by its Community Care Program that provides assistance for limited

income customers of approximately \$1.5 million. Additionally, EWEB provides \$450,000 annually in grants to local schools and \$250,000 for green power and solar programs. In 2020, EWEB will continue its program to encourage smart electrification by maintaining the \$500,000 budget to incentivize conversion to low carbon, electric fuel.

Electric Utility

Overview

The Electric Utility has surplus power, which is sold into the secondary markets. However, at times, the utility purchases power to meet peak demands. The recent price volatility has shown EWEB to be exposed to both a continuation of depressed prices for the sale of surplus power that results in low wholesale revenues, as well as the impact of spot market volatility in times of unit outages, reduced power resources and higher consumption. EWEB has an active hedging and risk management program to mitigate market risk. As noted previously, the debt management and cost containment work has significantly reduced that pressure.

Operations & Maintenance Budget

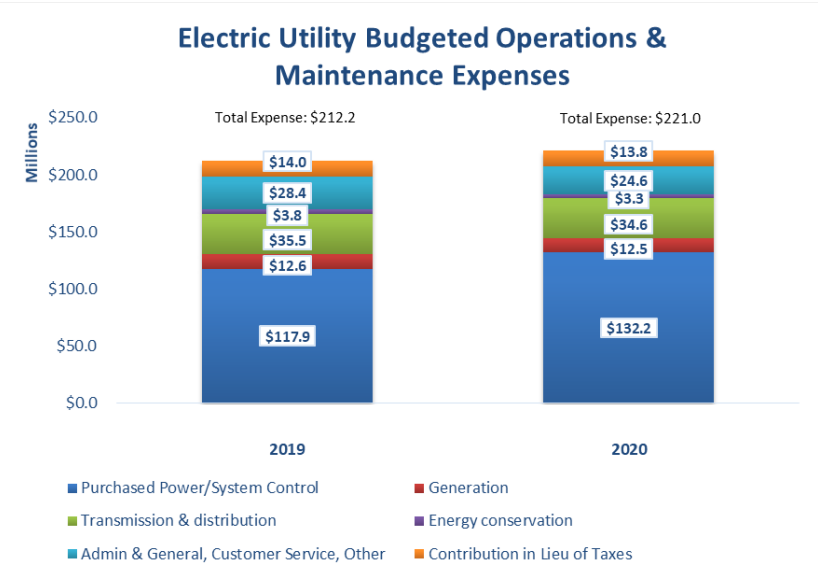
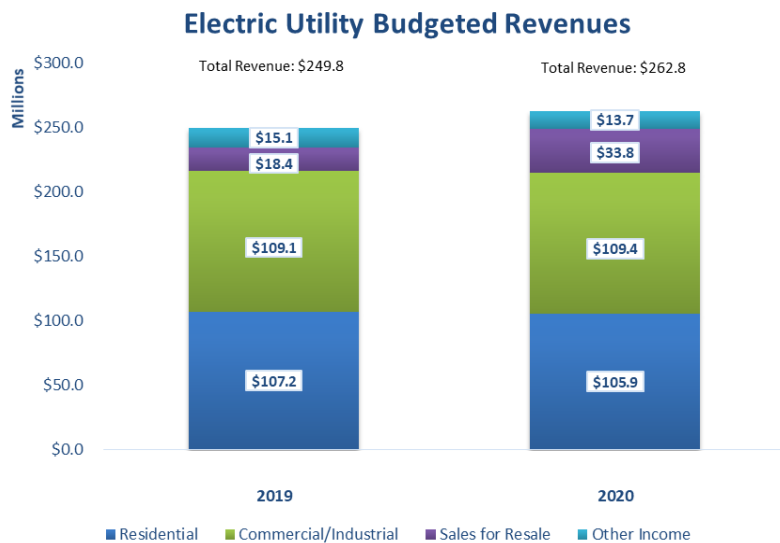
The proposed 2020 Electric O&M budget is \$221.0 million compared to the 2019 O&M budget of \$212.2 million. Purchased power increased by \$14.2 million which is offset by an increase in wholesale revenue largely due to a change in accounting treatment that has no net financial impact. The increased purchased power costs are partially offset by strategically using reserves in 2019 to receive state matching funds and reduce ongoing pension costs. The budget assumes a contribution margin risk tolerance of \$3.6 million, which protects the Utility against revenue declines that are beyond its control. This risk tolerance equates to a hydro generation drop to 90% of expected, or a 3% load reduction below budget levels. Given its surplus power position, EWEB has a strong hedging program designed to protect the Utility from falling wholesale prices, which mitigates the potential budget impact.

The budget includes a \$3.1 million deposit to reserves. Annually, staff makes recommendations regarding the use of reserves above

target to align with the Board approved Strategic Plan and maintain or improve the Utility's financial position.

Retail revenue is consistent with 2019, however wholesale revenue has increased by \$15.5 million between 2019 and 2020. The increase in sales for resale is due to the change in accounting treatment, which is offset by purchased power, as well as increased volumes from EWEB's Carmen-Smith generating facility. Carmen-Smith was offline for part of 2019 due to construction and is expected to return to service in 2020.

The following two charts compare the Electric 2019 and 2020 O&M revenue and expense budgets.



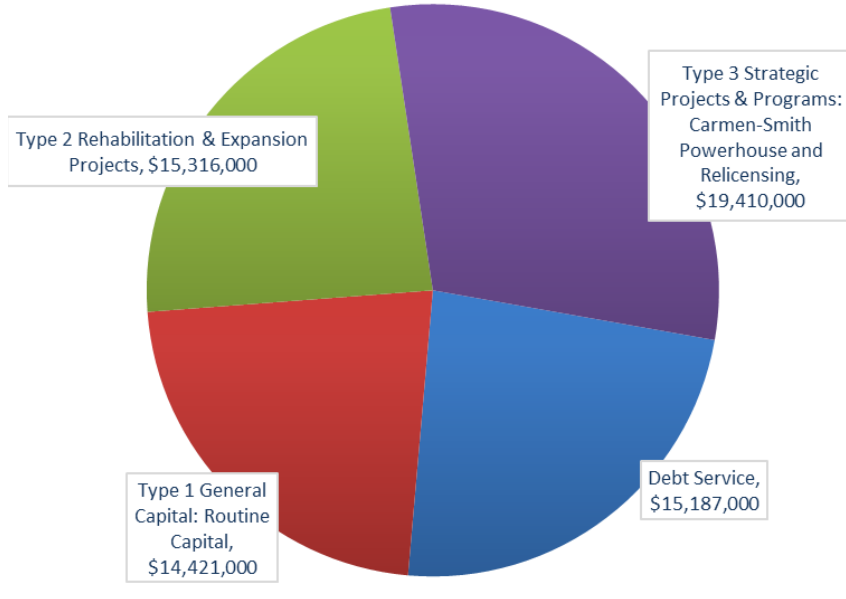
Capital and Debt Service Budget

The Electric Capital & Debt Service budget of \$64.3 million is \$10.7 million higher than the 2019 budget. This is primarily due to increased capital spending related to Carmen-Smith Relicensing and for Rehabilitation and Expansion work including resiliency efforts, meter replacements, and information technology investments. General capital work targets replacing aging infrastructure in an effort to maintain reliability. Approximately \$23.5 million of the capital work will be funded with electric prices. Additional detail on the capital budget is included in Attachment 1.

The following chart details the budget by type of cost.

Electric Capital and Debt Service Budget

Total Capital and Debt Service: \$64,334,000



Water Utility

Overview

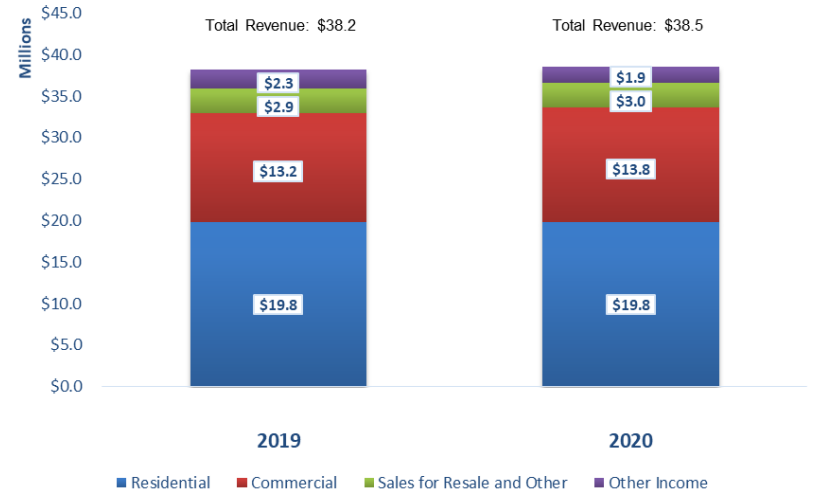
Like many Northwest water utilities, EWEB has aging infrastructure that needs replacement in order to reliably deliver safe, high quality water to customers. The extensive capital required to operate a large filtration plant and maintain about 800 miles of distribution pipes comes with high fixed costs.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

Operations & Maintenance Budget

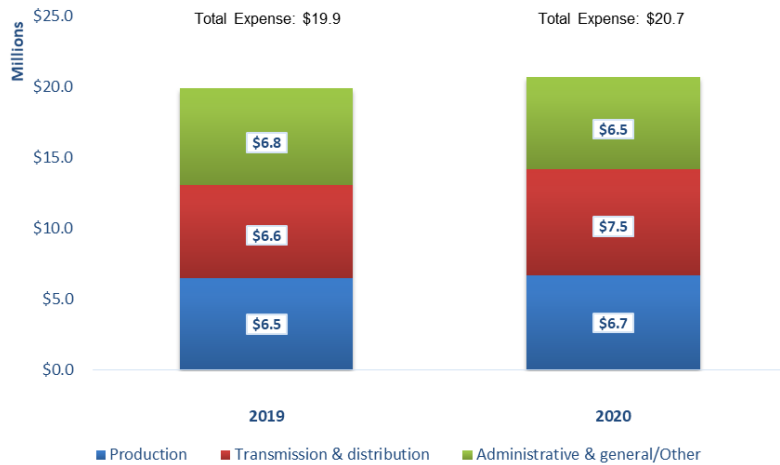
The 2020 Water Utility O&M budget is \$20.7 million compared to \$19.9 million in 2019. The budget assumes sales of 7.8 billion gallons which is the same as was budgeted in 2019. Residential revenue makes up 51% of the Water Utility's total revenues and 36% is from commercial sales. Operating expenses are \$800,000 more than last year as a result of inflationary adjustments.

The budget results in nearly a \$900,000 deposit to reserves. The Board allocates excess working cash to specific reserve funds after the completion of the annual audit. The following charts compare the 2020 and 2019 Water Utility budgeted O&M Revenues and Expenses.

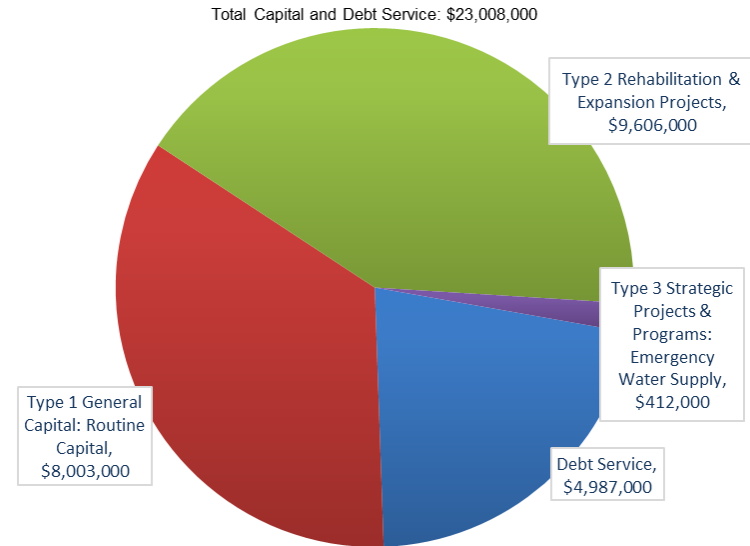
Water Utility Budgeted Revenues



Water Utility Budgeted Operations & Maintenance Expenses



Water Capital and Debt Service Budget



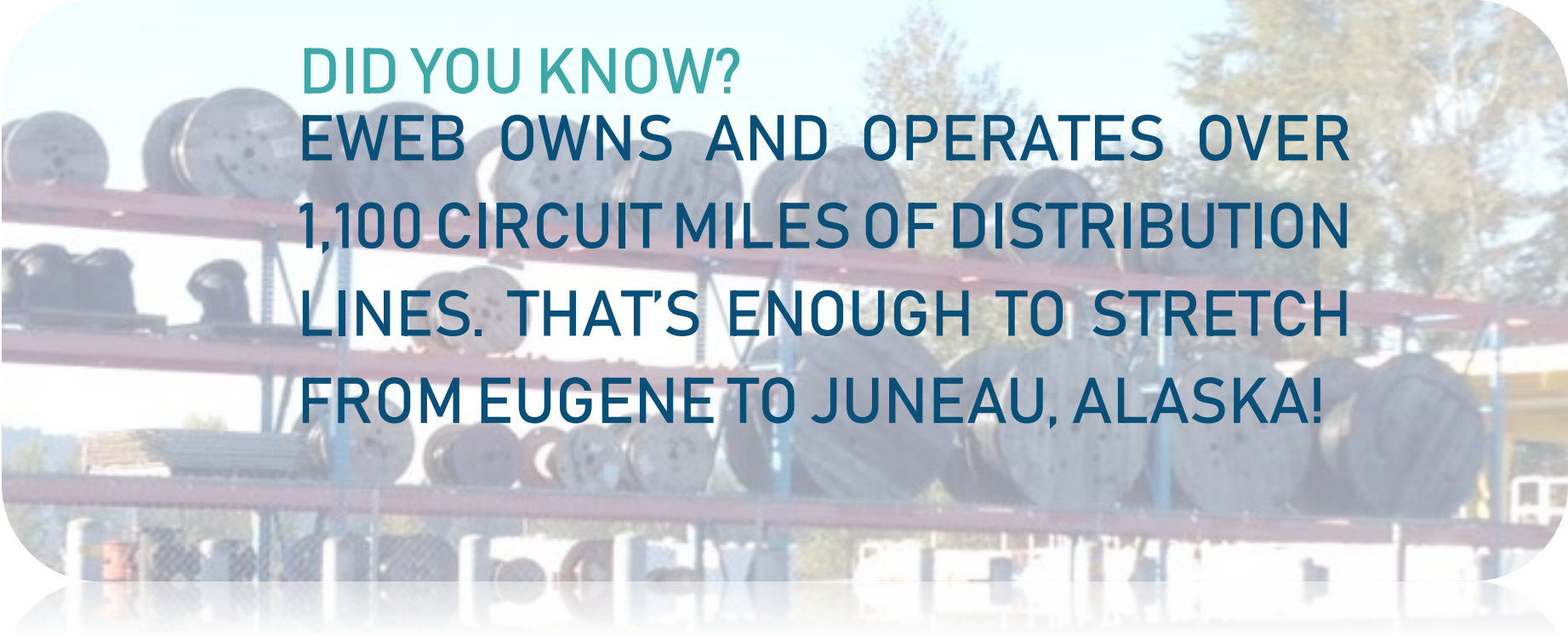
Capital and Debt Service Budget

The Water Capital & Debt Service budget of \$23.0 million reflects a \$2.6 million increase from the 2019 budget driven by an increase in capital spending. EWEB continues to focus on improving resiliency by addressing critical aging infrastructure in the distribution system such as main improvements, pump stations, reservoirs, and the intake system at Hayden Bridge. Rehabilitation and Expansion projects include smart meter infrastructure upgrades, construction of a new water quality laboratory, and backup services building a Hayden Bridge. The budget also includes funding for emergency water stations, which are a joint effort with community partners such as school districts, to provide potable water in the event of an emergency or natural disaster. Depending on the type of project, funding is through water retail prices, customer contributions, or bonds.

The 2020 budgets position both the Electric and Water Utilities to continue their financial resiliency and to rise to the challenge of enhancing customer confidence, the first phase in EWEB’s Strategic Plan. Progress on phase two, creating consumption flexibility, has begun in earnest with the upgrades to our meter infrastructure, as well as commencement of work on the Electric Integrated Resource Plan. As phase two begins, we continue to be guided by our core values to provide safe and reliable drinking water and electricity, be responsible stewards of resources, and adhere to our commitment and obligation to serve our local community. I am proud how EWEB has rallied around this focus, and I want to thank EWEB management, staff, and commissioners for their assistance in helping EWEB achieve its mission “to enhance our community’s vitality by delivering drinking water and electric services consistent with the values of our customer-owners”.

Respectfully submitted,

Frank Lawson, General Manager



DID YOU KNOW?
EWEB OWNS AND OPERATES OVER
1,100 CIRCUIT MILES OF DISTRIBUTION
LINES. THAT'S ENOUGH TO STRETCH
FROM EUGENE TO JUNEAU, ALASKA!

ATTACHMENT 1 2020 PROPOSED BUDGET



DID YOU KNOW?

THE MCKENZIE RIVER IS THE SOLE SOURCE OF DRINKING WATER FOR NEARLY 200,000 PEOPLE IN THE EUGENE METROPOLITAN AREA! IN ORDER TO ENSURE THE DRINKING WATER IS SAFE AND HEALTHY, EWEB TESTS AND COLLECTS OVER 85,000 SAMPLES FROM SOURCE TO TAP EACH YEAR!



EUGENE WATER & ELECTRIC BOARD
ELECTRIC UTILITY OPERATIONS & MAINTENANCE BUDGET AND REVENUE REQUIREMENTS
2020 PROPOSED BUDGET COMPARED WITH 2019 ADOPTED BUDGET AND 2018 ACTUAL

	2020 Proposed Budget		2019 Adopted Budget		2018 Actual	
	MWH	Revenue and Expense	MWH	Revenue and Expense	MWH	Revenue and Expense
Residential	930,000	\$ 105,915,000	940,000	\$ 107,235,000	915,000	\$ 97,673,000
Commercial	883,000	79,889,000	874,000	79,153,000	872,000	72,912,000
Industrial	550,000	29,481,000	560,000	29,901,000	556,000	29,302,000
Retail sales	2,363,000	215,285,000	2,374,000	216,289,000	2,343,000	199,887,000
Wholesale sales	1,448,000	33,829,000 ¹	1,505,000	18,354,000	1,478,000	41,201,000
Other Operating Revenues		8,257,000		7,720,000		7,885,000
	<u>3,811,000</u>	<u>257,371,000</u>	<u>3,879,000</u>	<u>242,363,000</u>	<u>3,821,000</u>	<u>248,973,000</u>
Other revenue		3,012,000		3,633,000		4,876,000
Interest earnings		2,389,000		3,769,000		3,416,000
Non-operating revenues		5,401,000		7,402,000		8,292,000
Total revenues		<u>262,772,000</u>		<u>249,765,000</u>		<u>257,265,000</u>
Purchased Power		127,260,000 ¹		113,019,000		125,272,000
System control		4,896,000		4,911,000		4,383,000
Generation		12,451,000		12,591,000		12,824,000
Wheeling		12,036,000		13,328,000		13,312,000
Transmission & distribution		22,515,000		22,212,000		22,585,000
Customer accounting		7,738,000		9,001,000		7,990,000
Energy conservation		4,436,000		3,847,000		3,299,000
Administrative & general		20,181,000		21,367,000		21,892,000
Operating expenses		<u>211,513,000</u>		<u>200,276,000</u>		<u>211,557,000</u>
Contributions in lieu of taxes		13,842,000		14,023,000		- ²
Change in balance sheet accounts/ other expenses		(4,393,000)		(2,100,000)		55,722,000 ³
Non-operating expenses		9,449,000		11,923,000		55,722,000
Total operations and maintenance expenses		<u>220,962,000</u>		<u>212,199,000</u>		<u>267,279,000</u>
Rate funded capital		23,507,000		19,003,000		
Rate funded debt service		15,187,000		16,373,000		
Total rate funded capital related expenses		<u>38,694,000</u>		<u>35,376,000</u>		
Total rate funded expenses		<u>259,656,000</u>		<u>247,575,000</u>		
Revenues over/(under) expenses		<u>3,116,000</u>		<u>2,190,000</u>		
Deposit to (Draw on) Reserves:						
Deposit to Working Cash/Reserves		3,116,000 ⁴		2,190,000		
Net change in reserves		<u>\$ 3,116,000</u>		<u>\$ 2,190,000</u>		
Change in Net Position						<u>\$ (10,014,000)⁵</u>

¹ Gross wholesale sales and purchased power are not directly comparable to 2019 budget and 2018 actuals due to change in accounting treatment for 2020 budget.

² 2018 CILT included as contra revenue in revenue section

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

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

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

Dollars rounded to nearest thousand

EUGENE WATER & ELECTRIC BOARD
ELECTRIC UTILITY CAPITAL AND DEBT SERVICE BUDGET
2020 PROPOSED BUDGET COMPARED WITH 2019 ADOPTED BUDGET

	2020 Proposed Budget	2019 Adopted Budget
Funding Source by Type		
<u>Source of Funds</u>		
Retail Revenue	\$ 23,507,000	\$ 18,665,000
Draw on Capital Reserves	3,276,000	338,000
Bond Proceeds	19,410,000	14,980,000
Customer Contributions in Aid	2,273,000	2,550,000
Grant Funding	681,000	741,000
Total Source of Funds	49,147,000	37,274,000
Expenditures by Type		
<u>Type 1- General Capital</u> ¹		
Electric Infrastructure- Generation	2,100,000	1,657,000
Electric Infrastructure- Substations	1,700,000	2,000,000
Electric Infrastructure- Transmission & Distribution	7,473,000	6,700,000
General Plant- Information Technology	1,590,000	954,000
General Plant- Buildings & Land	80,000	200,000
General Plant- Fleet	730,000	345,000
Telecommunications	748,000	379,000
Total Type 1	14,421,000	12,235,000
<u>Type 2- Rehabilitation & Expansion Projects</u> ²		
Downtown Network	958,000	800,000
Consolidation of Operations	-	750,000
Resiliency	2,756,000	1,354,000
Upriver Re-Configuration/ Holden Creek Substation	625,000	600,000
Information Technology	3,422,000	1,690,000
Electric Infrastructure- Generation	2,000,000	-
Electric Meters	5,555,000	4,565,000
Telecommunications	-	300,000
Total Type 2	15,316,000	10,059,000
<u>Type 3- Strategic Projects & Programs</u> ³		
Carmen-Smith Relicensing	19,410,000	14,980,000
Total Type 3	19,410,000	14,980,000
Total Electric Capital Budget	49,147,000	37,274,000
Rate Funded Debt Service	15,187,000	16,373,000
Total Electric Capital and Debt Service Budget	\$ 64,334,000	\$ 53,647,000

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

² Type 2 capital projects are discrete, with a defined completion period, and lifetime expenditures over \$1 million. Depending on the project, this work may be funded with rates, customer contributions, or bond funds

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

Dollars rounded to nearest thousand

EUGENE WATER & ELECTRIC BOARD
WATER UTILITY OPERATIONS & MAINTENANCE BUDGET AND REVENUE REQUIREMENTS
2020 PROPOSED BUDGET COMPARED WITH 2019 ADOPTED BUDGET AND 2018 ACTUAL

	2020 Proposed Budget		2019 Adopted Budget		2018 Actual	
	Gal (000)	Revenue and Expense	Gal (000)	Revenue and Expense	Gal (000)	Revenue and Expense
Residential	3,800,000	\$ 19,813,000	3,798,000	\$ 19,773,000	4,040,000	\$ 20,419,000
Commercial	3,300,000	13,800,000	3,320,000	13,234,000	3,604,000	15,315,000
Sales for Resale and Other	700,000	3,023,000	682,000	2,905,000	735,000	3,659,000
Operating revenues	<u>7,800,000</u>	<u>36,636,000</u>	<u>7,800,000</u>	<u>35,912,000</u>	<u>8,379,000</u>	<u>39,393,000</u>
Other revenue		1,358,000		1,357,000		916,000
Interest income		556,000		925,000		828,000
Non-operating revenues		<u>1,914,000</u>		<u>2,282,000</u>		<u>1,744,000</u>
Total revenues		<u>38,550,000</u>		<u>38,194,000</u>		<u>41,137,000</u>
Production		6,726,000		6,482,000		6,876,000
Transmission & distribution		7,451,000		6,621,000		6,082,000
Customer accounting		1,791,000		1,989,000		1,364,000
Conservation		618,000		660,000		344,000
Administrative & general		4,379,000		4,383,000		3,906,000
Operating expenses		<u>20,965,000</u>		<u>20,135,000</u>		<u>18,572,000</u>
Change in balance sheet accounts/ other expenses		<u>(289,000)</u>		<u>(262,000)</u>		<u>13,187,000</u> ²
Non-operating expenses		<u>(289,000)</u>		<u>(262,000)</u>		<u>13,187,000</u>
Total operations and maintenance expenses		<u>20,676,000</u>		<u>19,873,000</u>		<u>31,759,000</u>
Rate funded capital		15,000,000		9,697,000		
Rate funded debt service		1,987,000		4,974,000		
Total rate funded capital related expenses		<u>16,987,000</u>		<u>14,671,000</u>		
Total rate funded expenses		<u>37,663,000</u>		<u>34,544,000</u>		
Revenues over expenses		<u>887,000</u>		<u>3,650,000</u>		
Deposit to Working Cash/Reserves		887,000 ¹		3,650,000		
Net change in reserves		<u>\$ 887,000</u>		<u>\$ 3,650,000</u>		
Change in Net Position						<u>\$ 9,378,000</u> ³

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

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

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

Dollars rounded to nearest thousand

EUGENE WATER & ELECTRIC BOARD

WATER UTILITY CAPITAL AND DEBT SERVICE BUDGET

2020 PROPOSED BUDGET COMPARED WITH 2019 ADOPTED BUDGET

	2020 Proposed Budget	2019 Adopted Budget
Funding Source by Type		
<u>Source of Funds</u>		
Retail Revenue	\$ 15,000,000	\$ 8,035,000
Meter Reserve	1,250,000	1,250,000
Draw on AWS Reserve	412,000	412,000
Bond Proceeds	-	4,121,000
Customer Contributions in Aid	1,143,000	1,169,000
System Development Charges, Improvements	216,000	450,000
Total Source of Funds	18,021,000	15,437,000
Expenditures by Type		
<u>Type 1 - General Capital ¹</u>		
Source - Water Intakes & Filtration Plant	282,000	216,000
Distribution & Pipe Services	5,769,000	4,214,000
Distribution Facilities	1,195,000	999,000
Information Technology	180,000	146,000
Buildings, Land & Fleet	577,000	592,000
Total Type 1	8,003,000	6,167,000
<u>Type 2- Rehabilitation & Expansion Projects ²</u>		
Source - Water Intakes & Filtration Plant	2,060,000	1,802,000
Distribution	3,090,000	618,000
Water Meters	3,600,000	5,768,000
Information Technology	856,000	420,000
Consolidation of Operations	-	250,000
Total Type 2	9,606,000	8,858,000
<u>Type 3- Strategic Projects & Programs ³</u>		
Emergency Water Supply	412,000	412,000
Total Type 3	412,000	412,000
Total Water Capital Budget	18,021,000	15,437,000
Rate Funded Debt Service	1,987,000	4,974,000
SDC Reimbursement Funded Debt Service	3,000,000	-
Total Water Capital and Debt Service Budget	\$ 23,008,000	\$ 20,411,000

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

² Type 2 capital projects are discrete, with a defined completion period, and lifetime expenditures over \$1 million. Depending on the project, this work may be funded with rates, customer contributions, or bond funds

³ Type 3 capital projects are large strategic programs with long-term impacts, and are generally bond funded Dollars rounded to nearest thousand

ATTACHMENT 2 DEPARTMENT OPERATIONS & MAINTENANCE 2020 BUDGET COMPARED TO PRIOR YEARS



DID YOU KNOW?

EWEB'S FLEET SERVICES IS A CERTIFIED ECOLOGICAL BUSINESS, AN OREGON PROGRAM THAT RECOGNIZES BUSINESSES THAT REACH THE HIGHEST STANDARDS IN MINIMIZING THEIR ENVIRONMENTAL IMPACT.



Eugene Water & Electric Board – Department Operations & Maintenance Budget: 2020 Summary

	2020 Proposed Budget		2019 Approved Budget		2018 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Customer Service	79	\$15,184,000	80	\$15,384,000	75	\$12,426,000
Electric	111	21,157,000	126	22,654,000	121	23,287,000
Energy	59	156,299,000	55	154,066,000	53	172,323,000
Finance	53	9,850,000	50	9,336,000	45	8,374,000
General Manager	4	1,074,000	4	1,004,000	4	932,000
Human Resources	10	2,275,000	12	2,676,000	12	2,496,000
Information Services	51	11,116,000	53	11,440,000	53	12,527,000
Support Services	64	13,073,000	48	11,203,000	47	9,417,000
Water	75	14,201,000	76	13,309,000	73	13,087,000
Total Operations and Maintenance Budget	506	\$244,229,000	504	\$241,072,000	483	\$254,869,000

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

Note: Excludes organization-wide expenses

Customer Service Operations & Maintenance Budget

	2020 Proposed Budget		2019 Approved Budget		2018 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	79	\$8,652,000	80	\$8,669,000	75	\$7,186,000
<u>Purchases</u>						
Stores Materials and Supplies		16,000		25,000		21,000
EWEB Equipment		237,000		210,000		257,000
Maintenance and Repairs		1,000		1,000		-
Materials and Supplies		37,000		65,000		25,000
Technology / Office Equipment		16,000		28,000		20,000
Total Purchases		\$307,000		\$329,000		\$323,000
<u>Services</u>						
Contract Labor		328,000 ¹		46,000		157,000
Conservation Measures and Incentives		2,655,000		2,655,000		2,258,000
Electrification Incentive		500,000		500,000		-
Miscellaneous Services		63,000		75,000		53,000
Professional and Technical Services		449,000 ²		956,000		602,000
Software/Hardware Maintenance and Services		1,000		50,000		1,000
Legal Services		-		37,000		-
Printing and Postage		61,000		56,000		41,000
Training and Travel		187,000		215,000		75,000 ³
Grants		781,000		846,000		748,000
Limited Income Services		1,200,000 ²		950,000		982,000
Total Services		\$6,225,000		\$6,386,000		\$4,917,000
Total	79	\$15,184,000	80	\$15,384,000	75	\$12,426,000

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

¹ Increase in Contract Labor required for meter deployment

² Savings from a reduction in administrative costs for limited income program reallocated to directly benefit customers in Limited Income Services. Also cost savings were identified in organizational restructure

³ Travel and Training expense reduced in 2018 due to re-organization

Electric Operations & Maintenance Budget

	2020 Proposed Budget		2019 Approved Budget		2018 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	111 ¹	\$13,896,000	126	\$15,288,000	121	\$15,101,000
Purchases						
Stores Materials and Supplies		432,000		408,000		640,000
EWEB Equipment		1,269,000		1,450,000		1,542,000
Maintenance and Repairs		22,000		66,000		75,000
Equipment		10,000		10,000		12,000
Energy		-		8,000		9,000
Water		-		19,000		30,000
Fuels		-		-		2,000
Vehicle Fuel and Oil		8,000		10,000		2,000
Materials and Supplies		351,000		403,000		450,000
Technology / Office Equipment		14,000		13,000		8,000
Total Purchases		\$2,106,000		\$2,387,000		\$2,770,000
Services						
Contract Labor		152,000		170,000		160,000
Construction Agreements		3,609,000 ²		3,181,000		3,357,000
Miscellaneous Services		137,000		106,000		337,000 ³
Professional and Technical Services		229,000		257,000		494,000
Software/Hardware Maintenance and Services		96,000 ⁴		230,000		277,000
Property Rent		25,000 ⁴		100,000		121,000
Fees and Licenses		471,000		554,000		424,000
Training and Travel		431,000		380,000		243,000
Grants		5,000		1,000		3,000
Total Services		\$5,155,000		\$4,979,000		\$5,416,000
Total	111	21,157,000	126	22,654,000	121	23,287,000

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

¹ Realignment of FTE to new Support Service Division to support operational goals

² Increase in contract and consulting services for tree trimming, transmission maintenance, and distribution engineering design

³ Actual expense was higher due to memberships and training

⁴ Decrease due to re-organization and reallocation of budget from Electric Division to new Support Services Division

Energy Operations & Maintenance Budget

	2020 Proposed Budget		2019 Approved Budget		2018 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	59 ¹	\$8,037,000	55	\$7,787,000	53	\$7,244,000
Purchases						
Stores Materials and Supplies		33,000		7,000		10,000
EWEB Equipment		503,000		525,000		520,000
Maintenance and Repairs		74,000		23,000		22,000
Equipment		24,000		9,000		19,000
Energy		127,472,000		124,245,000		142,352,000
Water		1,000		1,000		1,000
Fuels		1,490,000		1,489,000		1,349,000
Vehicle Fuel and Oil		5,000		-		-
Materials and Supplies		204,000		189,000		223,000
Technology / Office Equipment		5,000		14,000		5,000
Total Purchases		\$129,811,000		\$126,502,000		\$144,501,000
Services						
Contract Labor		44,000		50,000		18,000
Wheeling		12,036,000 ²		13,328,000		13,311,000
Construction Agreements		3,114,000		3,252,000		3,684,000 ³
Miscellaneous Services		465,000		418,000		332,000
Professional and Technical Services		1,080,000		1,164,000		1,176,000
Software/Hardware Maintenance and Services		695,000		708,000		689,000
Property Rent		- ⁴		100,000		143,000
Legal Services		260,000		175,000		243,000
Fees and Licenses		544,000		425,000		820,000 ⁵
Training and Travel		213,000		157,000		162,000
Total Services		\$18,451,000		\$19,777,000		\$20,578,000
Total	59	\$156,299,000	55	\$154,066,000	53	\$172,323,000

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

¹ Increase in FTE from 2018 to 2020 primarily due to new Dam Safety program

² Shift in the accounting for certain costs from transmission to purchased power

³ Decrease related to Stone Creek, Harvest Wind and co-generation resources

⁴ Decrease due to sale of Foote Creek

⁵ Higher expense in 2018 due to payment for US Geological Survey program fees

Finance Operations & Maintenance Budget

	2020 Proposed Budget		2019 Approved Budget		2018 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	53 ¹	\$6,709,000	50	\$6,171,000	45	\$5,600,000
<u>Purchases</u>						
Stores Materials and Supplies		2,000		2,000		2,000
EWEB Equipment		18,000		20,000		22,000
Maintenance and Repairs		5,000		5,000		-
Materials and Supplies		33,000		49,000		25,000
Technology / Office Equipment		26,000		23,000		13,000
Total Purchases		\$84,000		\$99,000		\$62,000
<u>Services</u>						
Contract Labor		35,000		34,000		73,000
Miscellaneous Services		90,000		103,000		55,000
Professional and Technical Services		1,212,000		1,322,000		1,155,000
Property Rent		22,000		12,000		1,000
Legal Services		234,000		193,000		114,000
Fees and Licenses		64,000		60,000		50,000
Insurance		840,000		790,000		751,000
Training and Travel		100,000		100,000		61,000
Uncollectable Accounts		460,000		452,000		452,000
Total Services		\$3,057,000		\$3,066,000		\$2,712,000
Total	53	\$9,850,000	50	\$9,336,000	45	\$8,374,000

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

¹ FTE increased from 2018 to 2020 primarily due to addition of Continuous Improvement Department and Advanced Meter Service, and move of atrium staff to Finance Department

General Manager Operations & Maintenance Budget

	2020 Proposed Budget		2019 Approved Budget		2018 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	4	\$912,000	4	\$836,000	4	\$807,000
<u>Purchases</u>						
Materials and Supplies		20,000		20,000		6,000
Technology / Office Equipment		1,000		4,000		1,000
Total Purchases		\$21,000		\$24,000		\$7,000
<u>Services</u>						
Miscellaneous Services		36,000		38,000		37,000
Professional and Technical Services		19,000		20,000		33,000
Legal Services		10,000		10,000		9,000
Printing and Postage		3,000		4,000		3,000
Training and Travel		53,000		52,000		30,000
Grants		20,000		20,000		6,000
Total Services		\$141,000		\$144,000		\$118,000
Total	4	\$1,074,000	4	\$1,004,000	4	\$932,000

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

Human Resources Operations & Maintenance Budget

	2020 Proposed Budget		2019 Approved Budget		2018 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	10	\$1,506,000	12	\$1,819,000	12	\$1,715,000
<u>Purchases</u>						
EWEB Equipment		11,000		7,000		-
Equipment		2,000		2,000		4,000
Materials and Supplies		74,000		62,000		37,000
Technology / Office Equipment		19,000		19,000		3,000
Total Purchases		\$106,000		\$90,000		\$44,000
<u>Services</u>						
Contract Labor		10,000		10,000		12,000
Construction Agreements		6,000		6,000		-
Miscellaneous Services		52,000		48,000		67,000
Professional and Technical Services		300,000		354,000		388,000
Software/Hardware Maintenance and Services		50,000		75,000		112,000
Legal Services		100,000		130,000		103,000
Printing and Postage		5,000		3,000		3,000
Training and Travel		140,000		141,000		52,000
Total Services		\$663,000		\$767,000		\$737,000
Total	10	\$2,275,000	12	\$2,676,000	12	\$2,496,000

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

Information Services Operations & Maintenance Budget

	2020 Proposed Budget		2019 Approved Budget		2018 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	51	\$6,617,000	53	\$7,435,000	53	\$7,531,000
<u>Purchases</u>						
Stores Materials and Supplies		200,000 ¹		-		-
Materials and Supplies		3,000		8,000		9,000
Technology / Office Equipment		351,000 ¹		431,000		576,000
Total Purchases		\$554,000		\$439,000		\$585,000
<u>Services</u>						
Contract Labor		213,000 ²		24,000		29,000
Miscellaneous Services		173,000		122,000		187,000
Professional and Technical Services		361,000		226,000		817,000 ³
Software/Hardware Maintenance and Services		2,668,000		2,635,000		2,945,000
Printing and Postage		300,000		325,000		310,000
Fees and Licenses		75,000		74,000		30,000
Training and Travel		155,000		160,000		93,000
Total Services		\$3,945,000		\$3,566,000		\$4,411,000
Total	51	\$11,116,000	53	\$11,440,000	53	\$12,527,000

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

¹ Computers now budgeted through stores

² Increase due to backfill for staff working on the Customer Experience Improvement Project

³ 2018 CIS project close-out

Support Services Operations & Maintenance Budget

	2020 Proposed Budget		2019 Approved Budget		2018 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	64 ¹	\$7,178,000	48	\$4,867,000	47	\$4,702,000
<u>Purchases</u>						
Stores Materials and Supplies		68,000		28,000		54,000
EWEB Equipment		1,044,000		879,000		885,000
Maintenance and Repairs		45,000		13,000		4,000
Equipment		-		10,000		8,000
Energy		605,000		605,000		534,000
Water		172,000		165,000		179,000
Fuels		100,000		100,000		74,000
Vehicle Fuel and Oil		495,000		456,000		445,000
Materials and Supplies		348,000		255,000		322,000
Technology / Office Equipment		96,000		89,000		53,000
Total Purchases		\$2,973,000		\$2,600,000		\$2,558,000
<u>Services</u>						
Contract Labor		45,000		30,000		309,000
Construction Agreements		1,240,000 ²		2,291,000		671,000
Miscellaneous Services		240,000 ³		55,000		58,000
Professional and Technical Services		710,000 ²		990,000		686,000
Software/Hardware Maintenance and Services		88,000		53,000		56,000
Property Rent		120,000 ³		8,000		7,000
Legal Services		70,000		100,000		228,000 ⁴
Fees and Licenses		215,000 ⁵		83,000		85,000
Training and Travel		194,000		126,000		57,000 ⁶
Total Services		\$2,922,000		\$3,736,000		\$2,157,000
Total	64	\$13,073,000	48	\$11,203,000	47	\$9,417,000

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

¹ Increase in FTE from 2018 to 2020 due to reorganization primarily shifting FTE from Electric Division

² Manufactured Gas Plant (MGP) remediation project completed in 2019

³ Increase due to Telecom department transfer from Electric Division

⁴ Higher costs due to Riverfront property negotiation and sale

⁵ Increase related to one-time payment for Lane Radio Interoperability Group

⁶ Limited Training and Travel expense in 2018 due to project workload


Water Operations & Maintenance Budget

	2020 Proposed Budget		2019 Approved Budget		2018 Actual	
	FTE*	Dollars	FTE*	Dollars	FTE*	Dollars
Wages / Benefits	75	\$8,629,000	76	\$8,111,000	73	\$7,700,000
Purchases						
Stores Materials and Supplies		342,000		335,000		298,000
EWEB Equipment		1,066,000		897,000		1,178,000
Maintenance and Repairs		42,000		31,000		12,000
Equipment		67,000		70,000		82,000
Energy		1,092,000		1,047,000		988,000
Water		25,000		25,000		28,000
Fuels		1,000		1,000		2,000
Materials and Supplies		673,000		672,000		704,000
Technology / Office Equipment		24,000		33,000		39,000
Total Purchases		\$3,332,000		\$3,111,000		\$3,331,000
Services						
Contract Labor		52,000		90,000		29,000
Conservation Measures and Incentives		50,000		50,000		9,000
Construction Agreements		628,000		693,000		977,000 ¹
Miscellaneous Services		146,000		103,000		138,000
Professional and Technical Services		976,000 ²		873,000		666,000
Software/Hardware Maintenance and Services		149,000		73,000		32,000
Printing and Postage		14,000		13,000		11,000
Fees and Licenses		78,000		88,000		70,000
Training and Travel		120,000		77,000		73,000
Grants		27,000		27,000		51,000
Total Services		\$2,240,000		\$2,087,000		\$2,056,000
Total	75	\$14,201,000	76	\$13,309,000	73	\$13,087,000

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

¹ Higher due to Crenshaw pump station work

² America's Water Infrastructure Act legislation increased fees

A photograph of a worker in a trench. The worker is wearing a white hard hat, safety glasses, an orange long-sleeved shirt, and yellow overalls. They are standing next to large, orange-painted pipes. The trench walls are made of rough, grey rock. A blue pipe runs along the left side of the trench. The scene is dimly lit, suggesting an underground or enclosed environment.

DID YOU KNOW?
EWEB DELIVERS OVER 8.2 BILLION GALLONS
OF QUALITY DRINKING WATER EVERY YEAR.
THAT'S ENOUGH TO FILL 12,419 OLYMPIC-SIZE
SWIMMING POOLS!

ATTACHMENT 3 LABOR & EMPLOYEE BENEFIT COSTS



DID YOU KNOW?

EWEB INCIDENT RESPONSE WATER TRAILERS CAN FILTER APPROXIMATELY 100 GALLONS OF WATER PER MINUTE AND UP TO 57,000 GALLONS PER DAY!



**EUGENE WATER & ELECTRIC BOARD
LABOR AND EMPLOYEE BENEFITS
2020 BUDGET COMPARED WITH 2019 BUDGET AND 2018 ACTUAL**

	2020 Proposed Budget		2019 Approved Budget		2018 Actual	
	Budget	% of Total wages	Budget	% of Total wages	Actual	% of Total wages
Wages & benefits						
Regular Wages	\$44,847,000	96.8%	\$43,343,000	96.9%	\$39,798,000	91.2%
Premium Wages	1,479,000	3.2%	1,387,000	3.1%	3,828,000	8.8%
Total wages	<u>46,326,000</u>	<u>100.0%</u>	<u>44,730,000</u>	<u>100.0%</u>	<u>43,626,000</u>	<u>100.0%</u>
Public employees retirement fund	10,032,000 ¹	21.7%	13,188,000	29.5%	12,157,000 ²	27.9%
Other benefits - employer contribution ³	4,082,000	8.8%	3,980,000	8.9%	3,252,000	7.5%
Health insurance ⁴	10,399,000	22.4%	8,951,000	20.0%	7,930,000	18.2%
Post-retirement medical ⁵	1,300,000	2.8%	1,350,000	3.0%	1,469,000 ⁶	3.4%
Long-term disability	282,000	0.6%	273,000	0.6%	245,000	0.6%
Life insurance	346,000	0.7%	330,000	0.7%	320,000	0.7%
Total benefits	<u>26,441,000</u>	<u>57.0%</u>	<u>28,072,000</u>	<u>62.7%</u>	<u>25,373,000</u>	<u>58.3%</u>
Total wages & benefits	<u>\$72,767,000</u>		<u>\$72,802,000</u>		<u>\$68,999,000</u>	
Extraordinary Items						
PERS Transition Liability Payment					\$32,568,000	
OPEB Contribution					2,000,000	
Total extraordinary items					<u>\$34,568,000</u>	

¹ Decrease due to savings resulting from paying off transition liability and deposit to side account with matching funds

² PERS Transition Liability payment moved to "Extraordinary Items" for comparison purposes

³ Includes: Social Security/Medicare tax, Unemployment Insurance, Workers' Compensation Insurance

⁴ Includes Voluntary Employee's Beneficiary Association (VEBA) expense

⁵ Actuarially determined

⁶ OPEB Contribution moved to "Extraordinary Items" for comparison purposes

ATTACHMENT 4 RESERVE INFORMATION



DID YOU KNOW?

EWEB HAS ONE OF THE CLEANEST POWER PORTFOLIOS IN THE NATION, WITH ALMOST NO ELECTRICITY SOURCED FROM FOSSIL FUELS! IN FACT, 80 PERCENT OF EUGENE'S POWER COMES FROM CARBON-FREE HYDROELECTRIC ENERGY. THE REMAINING 20 PERCENT COMES FROM CONVENTIONAL AND RENEWABLE RESOURCES.



EUGENE WATER & ELECTRIC BOARD
ELECTRIC and WATER UTILITY PROJECTED RESERVES, DESIGNATED, UNRESTRICTED AND RESTRICTED FUNDS
(\$000s omitted)

	Electric System			Water System		
	Target	12/31/19 Projected ¹	12/31/20 Projected ¹	Target	12/31/19 Projected ¹	12/31/20 Projected ¹
Reserves						
Operating and Self-Insurance	\$ 5,720	\$ 5,900	\$ 5,900	\$ 1,300	\$ 1,300	\$ 1,300
Power Operating	17,000	17,000	17,000			
Capital Improvement	22,000	22,000 ²	22,000 ²	7,000	10,800	9,500
Total Reserves	44,720	44,900	44,900	8,300	12,100	10,800
Board Designated Funds³						
Rate Stabilization Fund	5,000	24,500	24,500	1,000	1,000	1,000
Economic Development Loans		2,000	2,000		200	200
Water Stewardship Fund - Septic Repairs					100	100
Alternative Water Supply					6,000	5,600
Pension and Medical Funds		-	-		-	-
Total Designated Funds	5,000	26,500	26,500	1,000	7,300	6,900
Working Cash ⁴	36,000	31,700	34,800 ⁵	3,400	8,700	9,600
Total Working Cash and Unrestricted Funds	\$ 85,720	\$ 103,100	\$ 106,200	\$ 12,700	\$ 28,100	\$ 27,300
Legally Restricted						
Bond Funds - Capital		\$ 18,900	\$ 15,600 ⁶		\$ -	\$ -
Harvest Wind Reserve		2,000	2,000			
System Development Charge Reserves					7,800	4,600
Reserves for Debt Service		6,600	6,600		2,400	2,400
Customer Care/Customer Deposit		1,900	1,900			
Total Restricted Funds		\$ 29,400	\$ 26,100		\$ 10,200	\$ 7,000

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

¹ Projections as of October 31, 2019

² Projections include use of bond funds for Type 2 rehabilitation and expansion projects

³ Designated funds are used for one-time expenses

⁴ 2019 changes to unrestricted reserves are included in working cash. The Board will approve transfer of funds in the second quarter of 2020

⁵ Does not include anticipated FEMA reimbursement of \$3.5 million

⁶ Projections do not include future borrowing

ATTACHMENT 5

BUDGETED FINANCIAL RATIOS & STATISTICS



DID YOU KNOW?

EWEB'S CARMEN-SMITH HYDROELECTRIC PROJECT CAN GENERATE ENOUGH ELECTRICITY TO POWER 16,000 HOMES! NOW WITH A RENEWED LICENSE, EWEB CAN OPERATE THE CARBON-FREE, RENEWABLE HYDROELECTRIC FACILITY THROUGH AT LEAST MAY 2059.



EUGENE WATER & ELECTRIC BOARD
BUDGETED FINANCIAL RATIOS
December 31, 2020

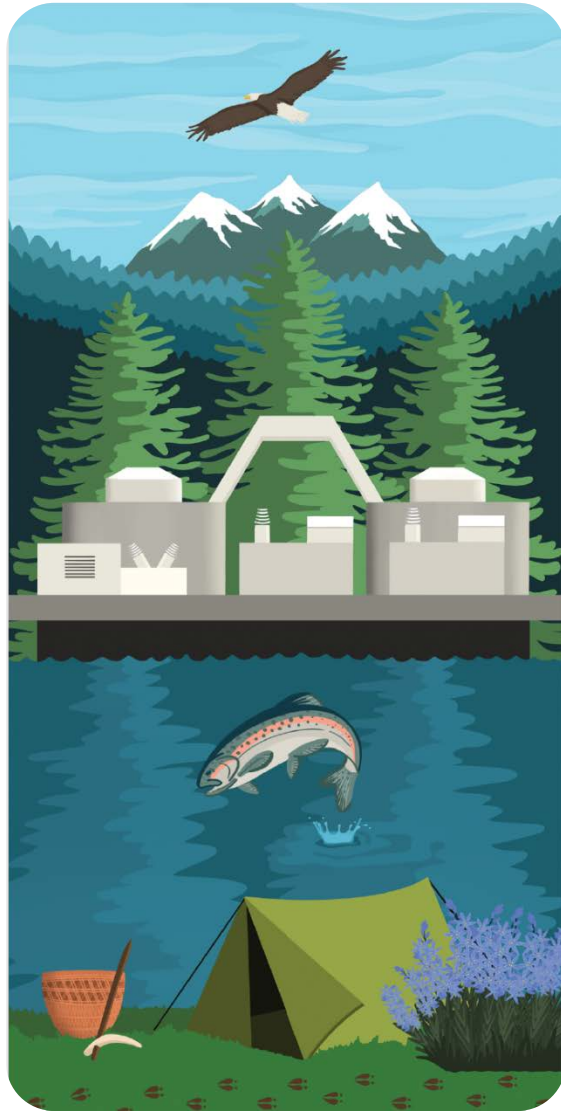
	Electric Utility	Water Utility
Financial Ratios		
Debt Service Coverage Ratio ¹	2.47	3.58
Days Cash ²	196	502
Target		
Debt Service Coverage Ratio	1.75 to 2.00	2.00 to 2.50
Days Cash	> 150 days	> 150 days

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

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

² Ratio of total available cash to adjusted average daily cash requirements for operating and other non-capital expenses. This measures the length of time the utility can carry projected non-capital related operations with readily available cash. Calculations include rate stabilization funds. In 2020, Management will be recommending options for the Board to consider for reserves above Board target

Rely on us.



EWEB