MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Barofsky, Schlossberg, Brown, Carlson, and Morris

FROM: Frank Lawson, CEO and General Manager; Deborah Hart, Assistant General Manager/CFO; Karen Kelley, Chief Operations Officer

DATE: July 2, 2025

SUBJECT: 2026 Integrated Capital & Financial Plans

OBJECTIVE: Direction on 2026 Integrated Capital & Financial Plans

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Issue

Board Policy SD6, Financial Policies, and Oregon Statutes require staff to prepare balanced Water and Electric Utility budgets for Board approval by the end of the calendar year. To prepare budgets, Management is seeking Board direction on the strategic and operational priorities, business and economic forecast assumptions, Capital Improvement Plans (CIPs), and Long-Term Financial Plans (LTFPs) used to guide the proposed budgets and customer pricing schedules (rates).

Presently, 2026 budgets for O&M and Capital using the assumptions set forth herein include overall 2026 revenue requirement increases of 3.5% for the Electric Utility and 6.0% for the Water Utility. Both utilities will be targeting noteworthy budget savings to relieve 2027/2028 rate pressures if unmitigated.

Background

Through a variety of means, Management receives direction consistent with Board Policy BL4 Delegation to the General Manager, which states "*The Board shall identify and define those results or conditions that are acceptable and not acceptable to the Board and communicate them in the form of establishing policy and approval of Strategic Plans, and annual organizational goals. The Board shall authorize annual budgets which are based on assumptions outlined in Long-Term Financial Plans and Capital Improvement Plans*".

At the July Meeting, Management will collaborate with the Board to ensure a common understanding of the desired operational and strategic outcomes, the economic assumptions, and proposed capital investments used to forecast the long-term financial results. If the assumptions and plans are consistent with Board direction and maintain financial forecasts within Board policy, Management will use the information to develop the following year's budgets.

Prior to year-end, as budgets are developed consistent with the Board direction received, Management will analyze customer rates, including the total revenue requirement to develop and propose customer rates. In November and December EWEB will provide at least two public Rate Hearings prior to the implementation of new customer rates. Typically, final budgets and rates are approved by the Board at the December Board Meeting.

Discussion

Management herein presents the strategic and operational guidance, business and economic forecast assumptions, proposed capital improvement plans, and resulting long-term financial and revenue requirement impacts for both the Water and Electric Utilities for Board consideration, feedback, and direction. Through previous policies and direction, Management considers the following as prerequisites to the development of strategic guidance, assumptions, and plans.

- Investments shall be consistent with EWEB's strategic plan, including the specific actions associated with the fulfillment of the plan. Actions and results shall support the values of safety, reliability, affordability, environmental stewardship, and community.
- Financial metrics including Working Capital Days Cash and Debt Service Coverage shall remain within Board policy. Financial reserve levels and replenishment requirements, including Capital Reserves and Rate Stabilization Reserves, shall remain within Board Policy.
- EWEB shall mitigate against Electric Utility wholesale market risk, weather fluctuations, and consumption pattern changes using conservative budget assumptions, establishing Contribution Margin Risk Factors, and adherence to Board Policy SD8, Power Risk Management Policies.

Strategic and Operational Guidance

Over the past several years, Commissioners have provided direction on the strategic and operational priorities. As a basis for this year's investment and financial planning, Management needs Board concurrence to use the following strategic and operational priorities and/or outcomes as guidance:

- Water Utility Investment Priorities – With completion of significant investments in hardening the Hayden Bridge Treatment Plant over the last decade, the Water Capital Plan focuses on strengthening base-level water storage and transmission for reliability and resiliency purposes. In addition, recent plans include progress on developing a second drinking water source on the Willamette River with the current plan including land use approval, permitting, and 30% plant design. These improvements were identified as EWEB's highest priority work to comply with the Oregon Resilience Plan. They improve operational efficiency and overall distribution system reliability and resiliency.
- Electric Utility Investment Priorities – The focus of the Electric Capital Plan is around infrastructure renewal to ensure continued reliable delivery of vital electric services to the community, as well as adhering to FERC requirements for the Carmen-Smith Project License. Investments are prioritized by customer impact and benefit concerning outage avoidance and core reliability metrics. Rapid community growth in Eugene from the 1960's through 1980's drove EWEB's power system build out in a condensed timeframe. Since that time, little net load growth (including conservation) has occurred. Consequently, assets along the full delivery path (transmission, substations, distribution and services) are nearing end-of-life now and in the coming decade. Reliability statistics continue to hold, however, increasing failures are anticipated over the next decade if infrastructure concerns are not addressed.

  To maintain reliability metrics, the CIPs concentrate on substation replacements,

distribution feeder renewals, and transmission infrastructure replacements. Much of this work is replacement in kind with modernization, resiliency, and reconfiguration enhancements. Modern technologies are implemented using current codes and standards, and designs incorporate seismic and wildfire risks that will meet future load needs such as electrification. Additionally, the Carmen-Smith FERC License requires substantial investment to meet operational and environmental needs, including fish passage. Critical power plant upgrades include turbines, generators, and water passage during times of extreme water levels.

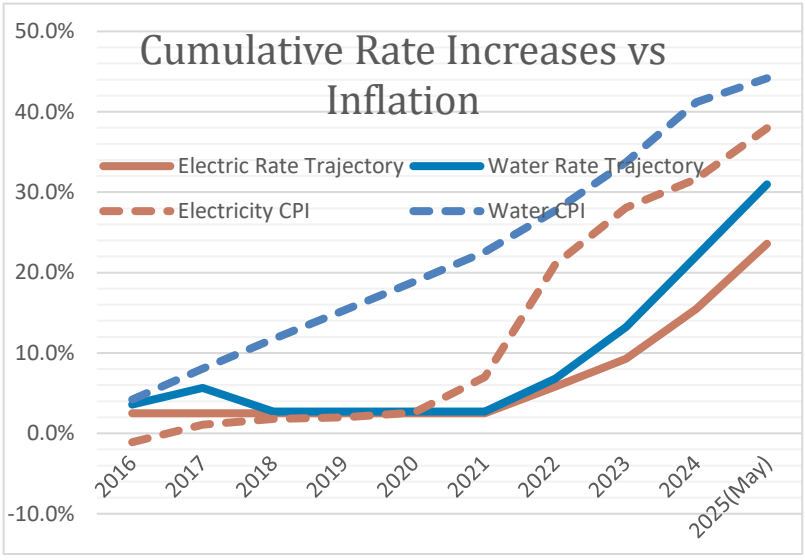
- Shared Organizational Investment Priorities – EWEB is replacing legacy information systems through the EWEB Enterprise Solutions (EES) project. Finance and Customer system replacements are stabilized and leveraging continuous improvement tools and methods to fine-tune new processes. As work continues to draft operational asset management plans, EES efforts to replace the Work & Asset Management system (WAM) are scheduled to begin in 2027. Additionally, EWEB is phasing development of the Bertelsen property, based on realized need, to expand equipment and materials storage, as well as construct secondary access to the Roosevelt Operations Center.

- Customer Care – The Customer Care Program is one means that EWEB offers income-based assistance. It provides financial assistance to move limited-income households below the threshold of utility burdened which is defined as those spending 6% or more of household income on EWEB services. EWEB currently reaches approximately 5% of the customer base, which is consistent with a survey of other utilities. The methodology and estimated budget are updated annually with the average bill amount to ensure customer assistance funds are pacing with rate increases.

The Board has previously provided guidance on rates as follows:

> *"Acceptable long-term "Revenue Requirement" increases (excluding Major Strategic Programs) shall be benchmarked to inflationary forecasts. Where possible, rate increases are smoothed over multi-year periods. The smoothing of rates mitigates a single-year rate impact by pre-funding and/or utilizing reserves to fund large capital projects while minimizing impacts to customers."*

Since 2016, the water specific Consumer Price Index (CPI) measure has risen 44%, and electric specific CPI measure has risen by 38%. EWEB rate increases over the same period were 31% for water services, and 24% for electric services. The chart to the right demonstrates the significant disparity between EWEB rate increases and utility specific inflation, a difference of approximately 13% in Water and 14% in Electric as end of May 2025.



Prior to 2020, EWEB was able to manage rate increases through prudent use of reserves, debt restructuring, and finding

efficiencies in operations. Inflationary pressures rose sharply beginning in 2020, and the Fed continues to stabilize inflation measures to their 2% target. EWEB's rate increases in this time frame did not keep pace with inflation, and EWEB cannot execute the strategic plan based on a conventional inflationary forecast. EWEB's comparator utilities are experiencing the same pressures with several implementing double-digit rate increases in recent years. The tension between economic operating pressures and affordability is high. Concessions to affordability include risk based and strategic deferrals of projects in the Capital Improvement Plans.

Conventional utility inflation forecast constraints are intended to cover routine utility operations. To fulfill the strategic and operational priorities outlined, the LTFPs for both utilities fall out of the guidance on affordability. Management identified measures to meet Board affordability guidelines for the upcoming budget year, 2026. In future years, Attachments 1 and 2 show the required savings to arrive at a rate trajectory more closely aligned with Board direction. Management is committed to prioritizing work and identifying the necessary savings between now and October. The Water utility has already begun to take steps to reduce the rate trajectory.

Contributing drivers of rate pressure include the following:

- The Water Utility's type 1 renewal and replacement capital investments more than doubled in recent years due to inflation and increases in scale.
- The Electric Utility type 2 capital infrastructure investments are approximately $287 million over the next five years, straining cash positions and increasing debt burden. Main drivers are additional costs related to Carmen-Smith Relicensing, and increased material and construction costs for major upgrades at substations and power plants.
- Both plans model incremental increases in reserve targets designed to mitigate and pace with growing risks for each utility.
- Scarcity pressures within the utility sector are more severe than in the general economy. Supply chain disruptions and tariff impacts continue to pressure prices upward in the economy.
- The labor markets, particularly utility specific positions, continue to remain tight with high demand for specialty-skilled workers putting pressure on wages.

Business and Economic Forecast Assumptions

The assumptions used to create forecasts and budgets influence the overall outlook of the financial plans. As a basis for this year's investment and financial planning, Management needs Board concurrence to use the following economic assumptions and/or outcomes as guidance:

<u>General Assumptions</u>

- Labor Cost Escalation – Fully loaded costs are indexed to a combination of inflation factors and expected labor market comparators.
- Non-Labor Operations and Maintenance (O&M) Escalation – 2.0% for 2026 and thereafter
- Capital Escalation – 2026 and 2027 are escalated at 5.0%, 2028 and 2029 at 4.0%, and 3.0% thereafter.
- Modeled increases in reserve targets to mitigate growing risks.

Water-Specific Assumptions

- The Water Utility consumption forecast is conservatively planned at 95% of the five-year average to account for year-by-year variability.

Electric-Specific Assumptions

- BPA power costs are a significant driver and are itemized in the rate trajectory. Biennial BPA increases of 6.3% begin in 2028. This equates to 2.5% EWEB rate increases in those years. The BPA product selection and further pricing information will inform planning assumptions next year.
- Costs for Leaburg decommissioning are included in the Long-term Financial Plan. Following Board direction received in 2023, prefunding for decommissioning is modeled as part of the revenue requirement.
- The Electric LTFP assumes base retail loads of 272 aMW and growth at 1.4%. Through 2030, the plan assumes growth is offset with conservation. Electrification is modeled to outpace conservation beginning in 2034. Electrification analysis indicates load growth from the transportation sector; impacts are not fully modeled in the CIP. Staff continue to assess options to meet future demands.

Complete rosters of assumptions for both the Water and Electric Utilities' Long-Term Financial Plans are included in Attachments 1 and 2.

Capital Improvement Plans (CIPs)

Based on the strategic and operational guidance, and general business and economic forecast assumptions highlighted above, the Water and Electric Utilities' CIPs are presented for the Board's consideration, feedback, and potential concurrence.

As presented in previous Board Meetings, projects within the Water and Electric CIPs can be categorized into *Compulsory, Strategic Projects/Programs*, or *Risk-Based/Opportunity Improvement Projects*.

- *Compulsory*: compliance required work (NERC, PUC, FERC, OHA, etc.), obligation to serve (new connections) and emergent/emergency replacements to maintain or restore service. This work typically has a definite timeline or schedule need.
- *Strategic*: work that is driven by board or GM direction to meet an emerging risk, or opportunity for the future. This work is typically high community, resource or regional/industry trend driven and is transformative in nature. Examples are AMI, EES, Carmen-Smith, and Second Source.
- *Risk-Based*: planned work driven by equipment condition or opportunity for efficiency with coincident projects with other agencies. Work that does not have a definite timeline, however in general the longer it is delayed the higher the risk of failure or that it will become compulsory. This work is prioritized around Strategic and Compulsory initiatives and generally exceeds funding and resource capability on a yearly basis.

Additionally, Board Policy also defines different categories of Capital work into *Type 1 and 2*. These categories define scale of work scope, schedule, and budget to ensure that reporting requirements to the board are meant for higher cost and impact projects.

- *Capital Asset Renewal and Replacement projects (Type 1*) – includes discrete projects to

maintain or improve system reliability, or are customer driven, that generally cost less than $3M per year. These projects will be reported by category (e.g. substations, shared IT infrastructure, transmission & distribution mains).

- *Infrastructure Rehabilitation & Expansion (Type 2)* – includes multi-year strategic projects that are projected to cost greater than $3M for the life of the project. These projects will be reported individually.

By collaborating with the Board on strategic issues and values, along with developing mutual understanding of assumptions, goals, and performance metrics, the following Water and Electric Utilities' Capital Improvement Plans are presented to achieve EWEB's strategic and operational priorities as presented earlier.

Water Utility Capital Improvement Plan (CIP)

The CIP is largely based on the recommendations from the 2015 Water System Master Plan. The Master Plan is currently being updated and with the Board's direction a revised Master Plan is anticipated prior to the 2027 budget. The 2026-2035 CIP water investments are similar to prior year plans with notable exceptions to address affordability:

- The Willamette Treatment Plant is substantially removed from the plan to be addressed with the Board separately. The estimated direct cost of this project is $160 million. Approximately $5 million is included in the 2026 budget to continue permitting progress, validate pre-design assumptions, update cost estimates, and develop a 30% design. An engineering design contract will be presented to the Board this summer, including a road map for input and decisions.
- Hawkins Hill Reservoir is deferred past the 10-year CIP. It is not considered an immediate priority and will be addressed in the 2026 Master Plan Update.
- Upper-level tanks and pump station work is deferred to the second half of the CIP as most projects don't present an immediate risk.
- Hayden Bridge 45-inch main replacement: A contract was awarded for this project in 2025 and subsequently cancelled due to budget constraints. It is scheduled for 2030 in the proposed CIP. Risks of deferring include increased pipeline repairs, downtime, and potential water quality impacts.
- East 23rd Street 42-inch Main Extension: This project includes completing the 42-inch transmission main on East 23rd to remove hydraulic restriction and increase operational flexibility. This contract was awarded in 2025 though work is now deferred to 2027 in the proposed CIP. Risks pertain to filling and draining base level reservoirs when the Santa Clara reservoir goes offline for repairs or decommissioning in the next 1-2 years.
- Hayden Bridge Water Filtration Plant: Improvements to the 2nd floor of the headhouse to improve functionality and accessibility were delayed until 2029. No immediate risks with this delay. Work to correct structural deficiencies in the South Filter Bays was pushed back to 2028. If structural deficiencies worsen, those filters risk going offline, reducing overall production capacity at Hayden Bridge.

The 2026-2035 Water Utility Capital Improvement Plan is included as Attachment 5. The Water Utility 10-year CIP totals approximately $294 million and is categorized as shown in the figure below for next year's budget, the next five years, and the full 10-year perspective.

A summary of planned projects/programs in each of the three categories is presented below followed by specifics on what is included in the five-year and 2026 CIPs.

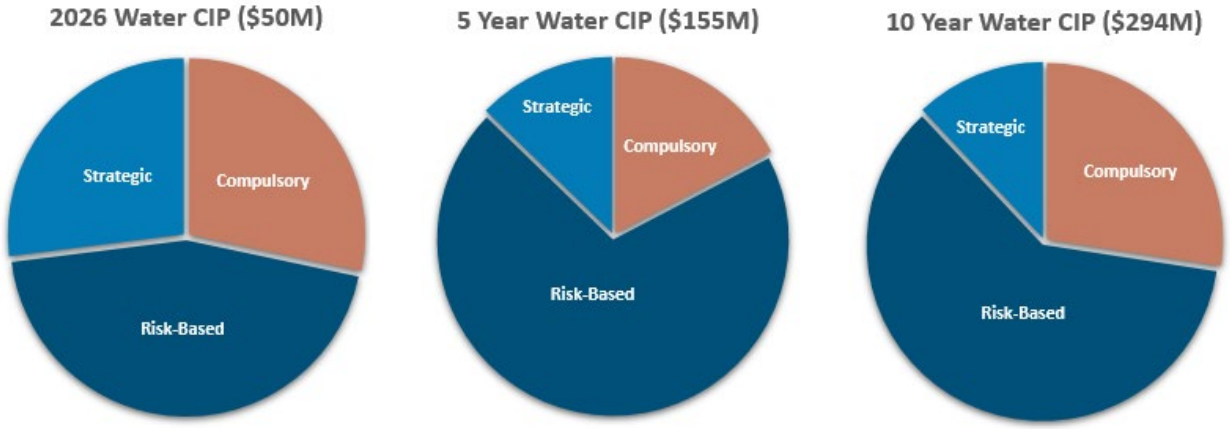


Figure: Water CIP Spending by Category (2026, First 5 years, 10 years)

Water Utility - Compulsory

The Water Utility CIP includes the following Compulsory work:

- Customer work for new services and development.
- Pipeline replacements where conflicts exist with City of Eugene street projects.
- Replacement of failing critical infrastructure.
- Projects necessary to meet regulatory requirements or to maintain compliance.

Water Utility - Strategic Projects

With the planned completion of the Emergency Water Supply capital work in 2026, the Water Utility's largest strategic project is the Willamette treatment plant. As noted above, it was substantially removed from the plan with an update and further information to be provided to the Board later this year. Other Strategic projects are Shared Services initiatives mentioned further below.

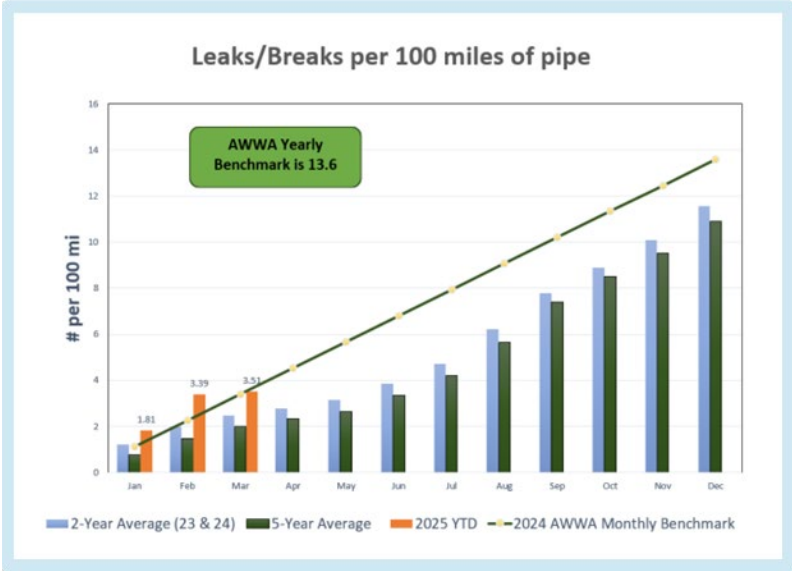
Water Utility - Risk-Based/Opportunity Projects

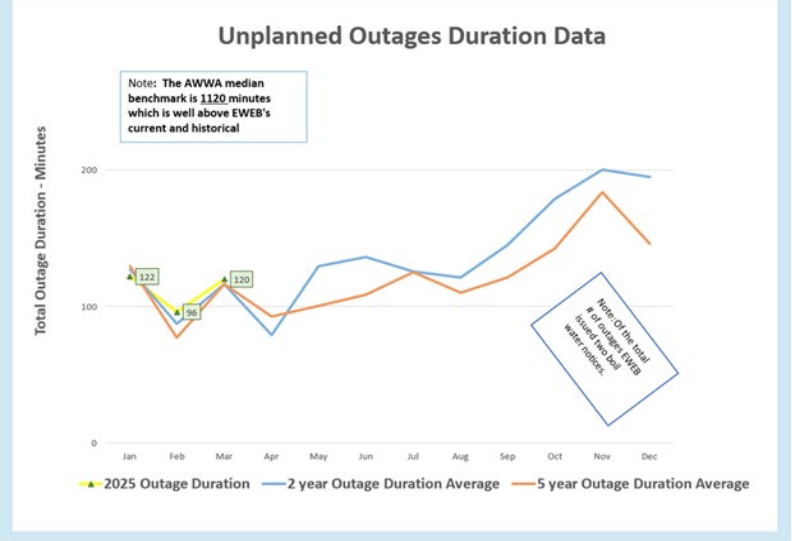
More than half of the projects in the 10-year CIP are considered Risk-Based, typically associated with reliability and resiliency enhancements.

The Risk-Based category includes the Water Utility projects to improve its "Resilient Spine". This work is largely driven by Master Planning efforts and includes base level reservoirs and transmission system upgrades. The storage tanks at East 40th are now operational, and College Hill tanks are under construction. Additional work will be prioritized by the master plan effort currently in progress. Priorities for this CIP include:

- New transmission lines to connect College Hill Reservoir
- 23rd street from Alder to University Street
- 42-inch main interconnecting our river crossings
- Seismic improvements or replacement of Knickerbocker Bridge 45-inch river crossing

Water main replacement work has significantly increased in cost. While much of this increase in the CIP can be attributed to inflation, the scale of work is planned to increase in terms of linear feet of pipe installed. This is to manage KPI's and coordinate with planned city projects, see charts at right. Recent years' investments were consistent in terms of linear feet installed, with increased costs due to inflation. To keep pace with national benchmarks for main renewal and replacement as well as frequency and duration of outages due to main breaks, EWEB is increasing planned investments on main replacement work over the next ten years. Approximately one-third of the 10-year CIP investments are associated with this effort. 2026 main replacement levels are reduced to compensate for completing College Hill and other major projects.





Consistent with past/present practice, staff coordinate main replacement work with the City of Eugene street work where possible. There will be a higher likelihood of leaving high risk pipelines under new city pavement due to budget constraints in this area. The exact impacts will be unknown until the City finalizes their 2026 project plan later this year. Additionally, work to strategically loop pipelines and perform other improvements to the piping system will be staged beyond 2026.

2026-2030 Water Utility Projects

The 2026-2035 Water Utility CIP includes investments of $50 million in 2026. In the first five years of the CIP, Water Utility investments total $155 million, or 53% of the total plan. This does not include the Willamette treatment plant. A roster of noteworthy projects is presented below.

Table: Noteworthy Near-Term Water Investments

Year (Start)	Project	Driver/Reason/Outcome	CIP Cost
2019	Advanced Metering Infrastructure & Systems	System Optimization	$4MM
2022	Second Source Water Treatment Plant (30% design only)	Reliability/Resiliency	$5MM
2022	Hayden Bridge 45-inch Transmission Main Replacement	Reliability/Resiliency	$3MM
2023	College Hill Reservoir and Transmission Main Replacement	Reliability/Resiliency	$26MM
2026	HQ Knickerbocker Transmission Main Phase 3	Resiliency	$7MM
2027	Santa Clara Reservoir Rehab or Demo (initial phase)	Reliability	$3MM
2027	East 23rd 42-inch Transmission Main connection	System Optimization/Reliability	$7MM

Electric Utility Capital Improvement Plan (CIP)

The 2026-2035 Electric Utility Capital Improvement Plan is included as Attachment 6. The Electric Utility 10-year CIP totals approximately $702 million and is categorized as shown in the figure below for next year's budget, the next five years, and the full 10-year perspective. The Electric Utility investments are focused on the renewal and replacement of aged infrastructure as well as strategic modernization and resiliency related work. The goals of the capital programs within the plan are to maintain reliability and limit customer impacts for long lead time substation and underground feeder cable failures in future years, to execute emergency preparedness initiatives related to seismic events and wildfires, and leverage new technologies to reduce system downtime for outages through modernization and automation.

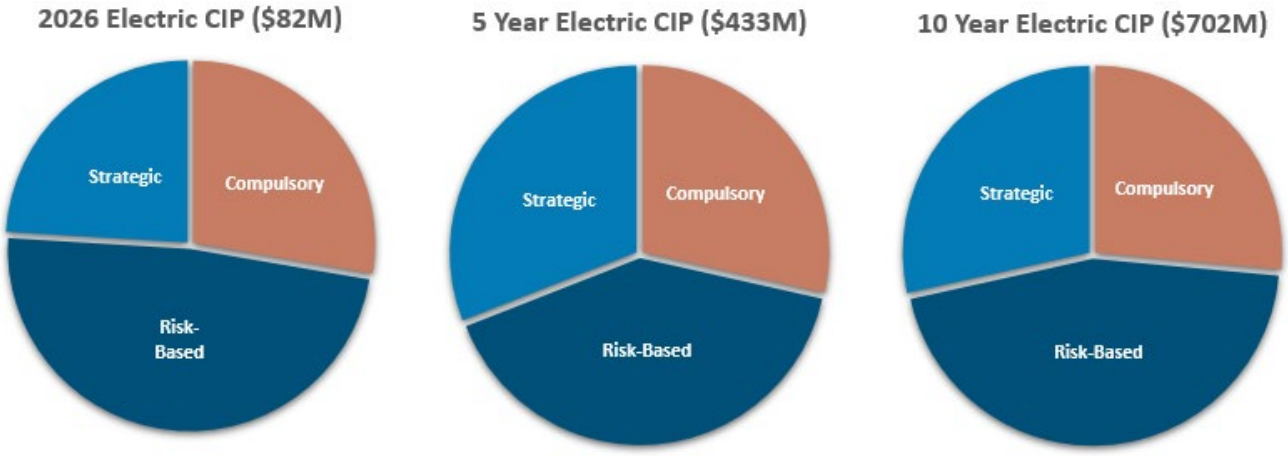


Figure: Electric CIP Spending by Category (2026, First 5 years, 10 years)

Electric Utility - Compulsory Work

The Electric Utility CIP includes the following Compulsory work:

- Customer work for new services and development.
- Powerline replacements where conflicts exist with City of Eugene street projects.
- Replacement of failed critical infrastructure on an emergent basis or as found via inspections and per historical trends.
- Projects necessary to meet regulatory requirements or to maintain compliance such as PUC (poles, cross arms, clearances, etc.) and NERC (relay replacements, telemetry and controls, etc.).
- Generation project improvements required by the Federal Energy Regulatory Commission (FERC) including Carmen-Smith and Leaburg-Walterville Canal Mitigations.

The compulsory component of the plan is larger in the first five years than the latter due to a focus on near term regulatory driven projects. The main drivers are FERC initiatives for Carmen-Smith and Leaburg Canal risk mitigation. Also, a recent trend is developing with increases in Customer Driven distribution development work for new services.

Electric Utility - Strategic Projects

Electric Utility strategic projects are focused on Maintaining Reliability and Increasing Resiliency of the power supply and delivery customers rely on. With substantial completion of the AMI deployment in 2024 for the urban territory, this budget includes work in 2025 and 2026 to deploy for the McKenzie River territory. In the later years of the plan, budget is allotted for beginning deployment of replacement AMI meters due to anticipated end of life and obsolescence.

A major portion of the plan includes replacement of aging critical infrastructure across the system as well as reconfiguration of supply systems to EWEB's most critical loads. Two coincident planning efforts are underway with the West side of the urban territory work focused on resiliency and providing additional load for growth and key industrial and community load redundancy such as the airport. Danebo substation is underway this year to allow an extended outage at neighboring Jessen substation in 2026 and 2027 for a full rebuild. In parallel, a program of projects in the first five years of the plan to reconfigure EWEB's connection to East of I-5 system which connects to a critical BPA tie at Thurston substation, supplies the McKenzie River service territory, International Paper (IP) Plant, Hayden Bridge Water Plant, and tie-in of Carmen-Smith with the EWEB system. An options analysis study and preliminary design efforts were completed in 2024 with detailed designs and contract scopes being completed in 2025. Also included is the rehabilitation of the IP Cogeneration generator and turbine. This section of the system also includes multiple connections to BPA which will ensure robust supply paths from the bulk electric system.

A major driver to the overall 10-year expenditures are the Leaburg Canal Repair alternatives that are in the development phase. The plan has accounted for interim risk reduction measures that are needed to ensure safe conveyance of stormwater until the overall decommissioning work is fully designed and executed. Currently, $4.5 million is planned for 2026 and an additional $50.5 million over the 10-year period. The plan will be updated as the alternatives are refined.

Electric Utility - Risk-Based/Opportunity Projects

The risk-based category includes the Electric Utility projects to improve its Resilient Spine as well as replacements due to end of life of equipment based on condition, age, and customer impact. The CIP reflects the investments needed to address the aging bubble of infrastructure installed in the 1960s and 1970s. This work is to avoid reliability impacts trending towards unfavorable as equipment reaches end-of-life. Currently monitored high level reliability trends (SAIDI & SAIFI) are not adversely impacted and are within EWEB's 5-year historical trend and industry benchmark.

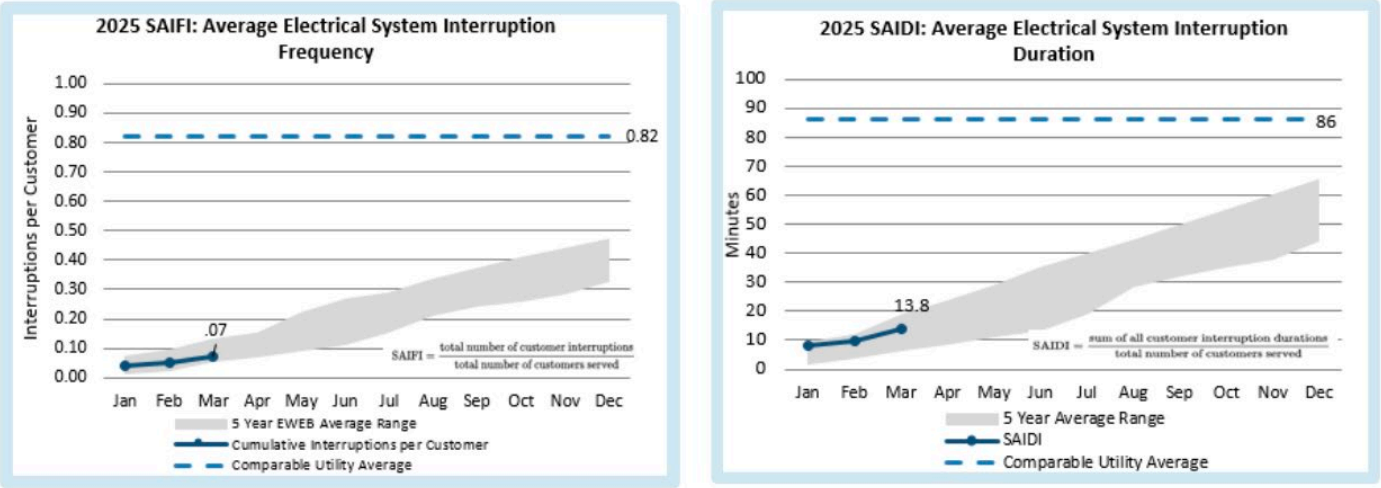


Figure: Electric Reliability Metric Trends (2025 Q1)

Depending on the load supplied, a substation trip can account for 5-10% of an annual number of customer-minutes of outage. Avoiding these outages due to reactive restoration after failure is crucial to ensuring equipment age-of-system does not increase substantially year over year. As electric system asset age increases and likelihood of failure and end-of life increases, the proposed level of investment is required to renew these assets to avoid customer impact in the form of unplanned outages.

The risk-based category within the capital plan focuses on age-of-system replacement and new technology modernization mainly in the form of equipment replacement for cable, breakers, transformers, and other critical equipment that control and protect the electric system. Substation rebuilds over the course of the plan ensure reliable delivery of power for substations that are nearing end of life. These substation projects are prioritized with a risk-based method which considers probability of failure (equipment condition, age), customer impact (number of customers and criticality of load – system, community, restoration) and considers known constraints to complete the work (permits, system outage limitations, environmental/property issues, etc.).

Electric Utility - 2025-2029 Projects

The Electric 2026-2035 CIP includes a forecasted 2026 budget of $82 million. In the first five years of the CIP, electric investments total $433 million, or 62% of the total plan, including the following roster of noteworthy projects.

Table: Noteworthy Near-Term Electric Investments

Year (Start)	Project	Driver/Reason/Outcome	CIP Cost
2025-2026	Upriver Advanced Metering Deployment	Resiliency / Modernization	$2.5MM
2027-2028	Jessen Substation Rebuild	Reliability / Resiliency	$8MM
2028	Hayden Bridge Substation Rebuild	Reliability	$15MM
2029-2031	Walterville Substation Reconfiguration and Thurston Substation Expansion	Reliability / Resiliency / Strategic	$16.8MM
2029	IP Plant Renewal Start Design (major rebuild work 2030-2031)	Reliability / Resiliency	$5MM (design only)
2026-2030	Leaburg Canal Risk Mitigation (first five years)	Compulsory / Strategic	$40.6MM
2026-2030	Carmen-Smith Project	Compulsory / Reliability	$73MM
2029	Cal Young Substation Rebuild	Reliability	$11MM

EWEB Shared Services Capital Improvement Plan (CIP)

The proposed capital plan contains investments in several services used across both the Water and Electric Utilities. Shared Services Strategic investments include EWEB Enterprise Solutions (EES), the upgrades to our Information Technology infrastructure and software to replace our current business systems. Also included are Risk-Based investments to maintain our vehicle fleet including allotted budget for electrification of the fleet and ROC equipment yard scheduled for engineering and design early in the plan.

Investments in our communications infrastructure to maintain radio and fiber communication paths and electronics are ongoing. Phased development of the Bertelsen Property Operations expansion is included in 2027-2029 for development of the site for use in storage and additional operational functions, although the yearly budgets will be based on evolving need.

Budget and Long-Term Financial Outcomes

Consistent with the strategic and operational guidance, and business and economic forecast assumptions, EWEB Management has presented the resulting Capital Investment Plans totaling $996 million over 10 years. The Water and Electric Utilities' plans include bond funding throughout the planning horizon of $107 million and $296 million, respectively. To achieve rate trajectories more closely aligned to Board guidance on acceptable increases, required savings are identified in the summary tables. Management is committed to achieving the required savings by the next LTFP update in October.

Water Utility

Based on the previously stated strategic and operational guidance along with the business and economic forecast assumptions, and a ten-year capital investment plan of $294 million, key Water Utility financial metrics remain within board policy through 2026 with a 10-year compounded rate

increase of 55.6%, equivalent to 4.6% per year. Without achieving the required savings, the initial three annual rate increases are steeper than the latter years of the plan to support near term infrastructure investments in reservoirs and pipelines, including 6.0-15.5% in 2026-2028.

The Water Utility Long-Term Financial Plan outcome is included in Attachment 1, with water comparator position table shown in Attachment 3.

Electric Utility

Based on the previously stated strategic and operational guidance along with business, and economic forecast assumptions, and a ten-year capital investment plan of $702 million, key Electric Utility financial metrics remain within board policy through 2035. Without achieving the required savings, the 10-year compounded rate increase of 39.1%, equivalent to 3.4% per year. Included in those rate increases and overall trajectory is pre-funding for Leaburg decommissioning in years 2027-2029, compounding to 4.0%.

The Electric Utility Long-Term Financial Plan outcome is included in Attachment 2, with electric comparator position table shown in Attachment 3.

Recommendation

Management recommends the Board direct staff to prepare the 2026 budgets for O&M and Capital using the assumptions set forth herein, which includes an overall 2026 revenue requirement increase of 3.5% for the Electric Utility and 6.0% for the Water Utility.

Requested Board Action

Management is not requesting Board action at the July 8th meeting. However, Management is requesting the Board provide direction on the strategic and operational guidance, business and economic forecast assumptions, and ten-year capital investment plans to be used in the development of the 2026 Budget and resulting upcoming rate proposals.

Attachments

Attachment 1 – Summary of Water Utility LTFP Revenue Requirement Assumptions and Outcomes
Attachment 2 – Summary of Electric Utility LTFP Revenue Requirement Assumptions and Outcomes
Attachment 3 – Average Bill Comparison
Attachment 4 – Median Household Income (MHI) %
Attachment 5 – Water Utility CIP 2026-2035
Attachment 6 – Electric Utility CIP 2026-2035

Attachment 1

Summary of Water Utility LTFP Revenue Requirement Assumptions and Outcomes (000's omitted)

Yellow = within 10% of target

Key Metrics (Dollars in $000,s)	Target	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
Reserves & Cash		$16,300	$13,800	$14,800	$18,800	$18,100	$19,400	$21,200	$20,200	$18,600	$18,600	
Rate Stabilization Fund Balance		$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	
Total Cash Reserves	**$14,680**	**$17,300**	**$14,800**	**$15,800**	**$19,800**	**$19,100**	**$20,400**	**$22,200**	**$21,200**	**$19,600**	**$19,600**	
Days Cash	**> 150 days**	**196**	**161**	**164**	**192**	**177**	**185**	**195**	**179**	**158**	**151**	
												10-yr Total
Annual Capital Investment		$49,800	$37,200	$25,600	$20,900	$21,500	$32,800	$39,100	$27,200	$20,600	$19,200	**$293,900**
Bond Funding		$56,000			$24,000			$27,000				**$107,000**
Total Debt		$159,500	$155,100	$150,500	$169,700	$164,300	$159,500	$181,500	$175,900	$170,000	$163,900	
Annual Debt Service		$7,400	$11,000	$11,000	$11,000	$12,600	$11,800	$11,800	$13,600	$13,600	$13,600	
Debt Service Coverage Ratio	**2.00-2.50**	**3.14**	**2.32**	**2.64**	**2.62**	**2.31**	**2.59**	**2.68**	**2.35**	**2.32**	**2.33**	

Revenue Requirement Assumptions	10 Year Compound	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
General Rate Increase		6.00%	15.50%	8.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.00%	2.00%
Second Source Increase											
Change in Revenue Requirement	**55.64%**	**6.00%**	**15.50%**	**8.00%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.00%**	**2.00%**
Required Savings			**$3,700**	**$5,200**		**$3,500**	**$2,300**	**$500**	**$3,500**	**$4,000**	**$1,300**
Change in Revenue Requirement with Savings	**54.36%**	**6.00%**	**8.00%**	**6.00%**	**5.00%**	**4.50%**	**3.00%**	**3.00%**	**3.00%**	**3.00%**	**3.00%**

Key Assumptions

- Annual consumption approximately 7.8 million KGal
- Contribution margin risk tolerance $1.4 million which represents 95% of the 5-year consumption average
- Bond issuance: $56 million in 2026, $24 million in 2029, and $27 million in 2032
- Rate Stabilization Fund is reduced in 2026 to fund capital projects
- Second source Willamette Treatment Plant full design & construction not included

Attachment 2

Summary of Electric Utility LTFP Revenue Requirement Assumptions and Outcomes (000's omitted)

Red = below target

Key Metrics (Dollars in $000,s)	Target	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Reserves and Cash		$91,300	$84,000	$88,700	$101,100	$104,800	$114,900	$126,100	$123,500	$137,000	$152,900
Leaburg Reserve Balance		$10,300	$15,300	$14,400	$16,700	$16,600	$14,900	$12,900	$12,500	$12,900	$15,300
Power Operating Reserve	$24,000	$22,500	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000
Regulatory Mitigation Fund		$6,000	$7,000	$8,000	$9,000	$10,000	$15,000	$20,000	$30,000	$30,000	$30,000
Total Cash Reserves	$106,720	$130,100	$130,300	$135,100	$150,800	$155,400	$168,800	$183,000	$190,000	$203,900	$222,200
Days Cash	>150 Days	167	194	201	220	218	226	232	228	237	252

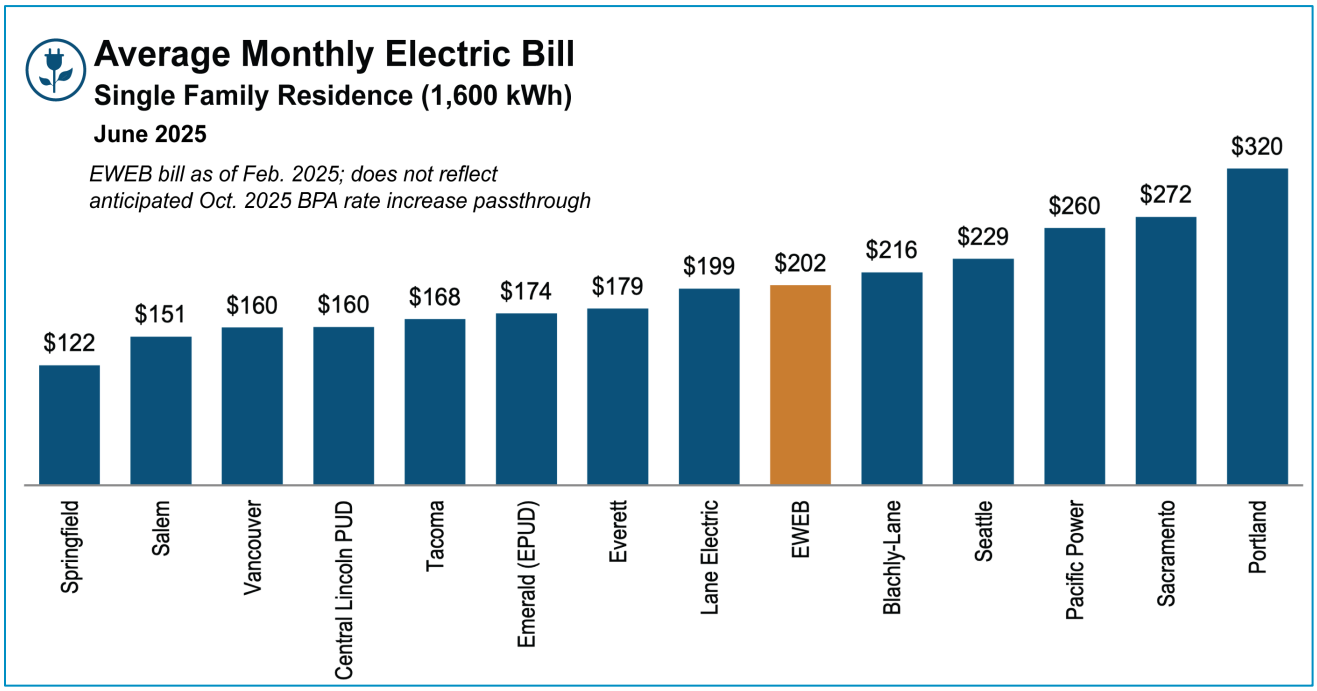
												10-yr Total
Annual Capital Investment		$81,500	$98,800	$97,300	$79,100	$76,800	$78,800	$46,500	$52,000	$50,500	$40,500	$701,800
Use of Rate Stabilization Funding		$4,200										
Bond Funding		$113,000			$109,000			$40,000			$33,500	$295,500
Total Debt		$245,400	$232,800	$219,600	$315,200	$300,300	$284,800	$309,400	$295,400	$283,600	$305,000	
Annual Debt Service		$19,300	$27,700	$27,800	$27,500	$34,600	$34,600	$34,000	$34,700	$31,000	$33,200	
Debt Service Coverage Ratio	1.75	3.38	2.78	3.21	3.01	2.28	2.42	2.38	2.15	2.55	3.28	

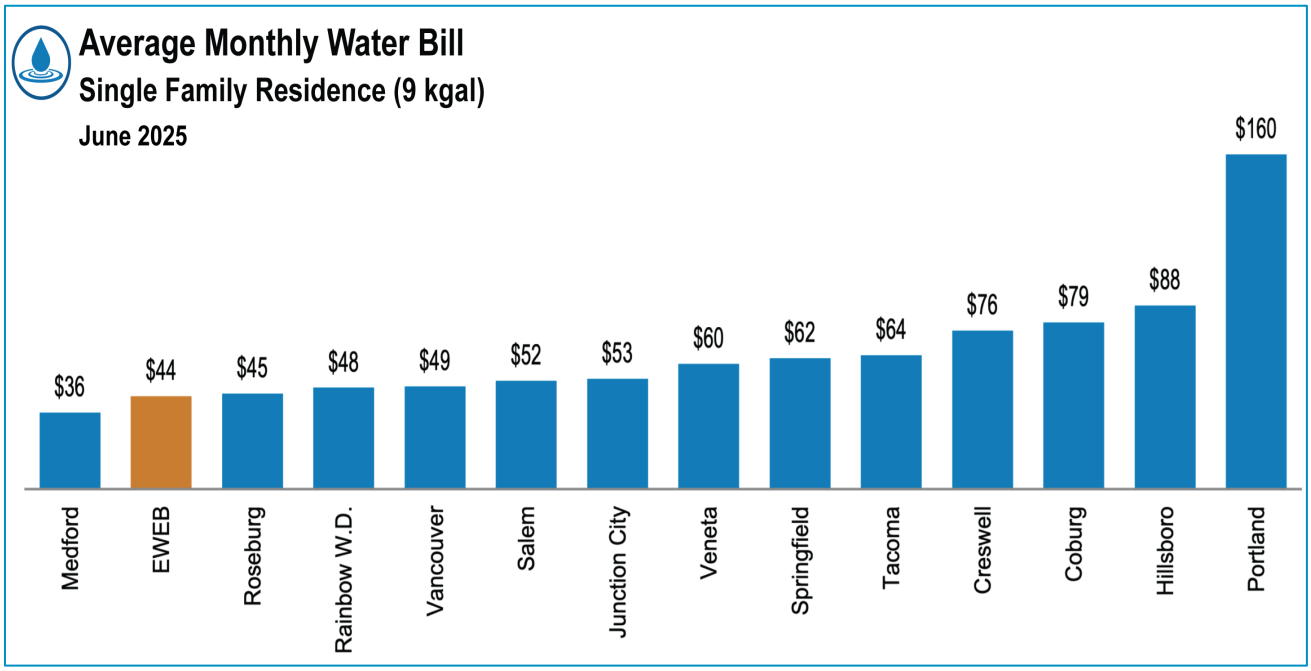
Revenue Requirement Assumptions	10 Year Compound	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
General Rate Increase		3.50%	5.50%	3.00%	1.75%		2.00%		2.00%		2.00%
Leaburg Prefunding			3.00%	0.75%	0.25%						
BPA Increase				2.50%		2.50%		2.50%		2.50%	
Change in Revenue Requirement	39.08%	3.50%	8.50%	6.25%	2.00%	2.50%	2.00%	2.50%	2.00%	2.50%	2.00%
Required Savings			$10,300	$19,300	$4,200	$12,800	$5,700		$3,300		
Change in Revenue Requirement with Savings	*37.67%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*2.50%*	*2.00%*

Key Assumptions

- 2026 Retail load approximately the same as 2025 budget - 2.4 million MWh's
- Electrification load approximately 26,000 MWh in2026 increasing to 192,000 MWh's in 2035
- Contribution margin risk tolerance (CMRT) of $12.0 million, representing 90% generation. Similar CMRT through 2030, expected conditions 2031-2035
- $70/MWh melded mid-market price curve in 2026 increasing to $72/MWh in 2035
- Environmental Commodities represent roughly $8 million of wholesale revenue
- Rate Stabilization Fund is expected to be drawn to the $6 million target in 2026 with $7.2 million used in 2025 and $4.2 million used in 2026
- The Power Operating Reserve was drawn below target in 2025 and is brought back to the $24 million target by 2027

Attachment 3





Attachment 4

Background

The source of each comparator's Median Household Income (MHI) is from the United States Census Bureau website. The methodology uses the following data:

1. Monthly water and electric bill at average residential consumption
2. Annual bill at same level of use
3. Median household income (in 2023 dollars)

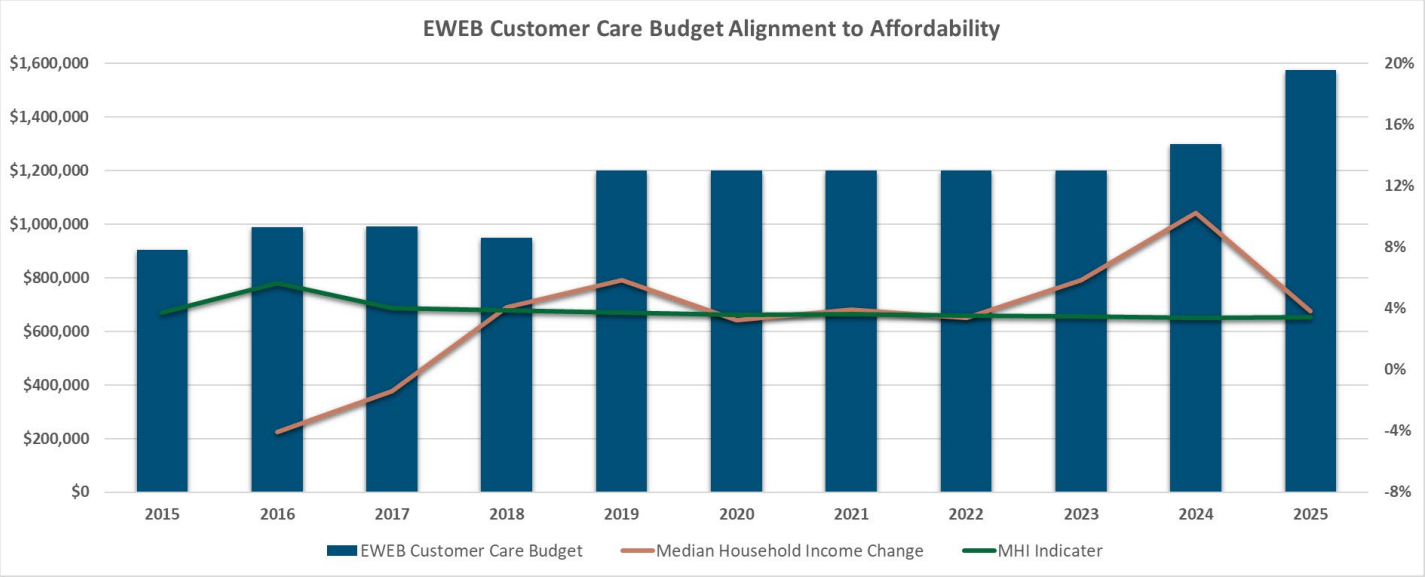
Consideration must be given to financial sustainability of the utility, in addition to affordability of price. Setting artificially lower prices may produce financial constraints to reinvesting in the system and eventually harm public health through poor product quality and service.

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.

Historical funding for the Customer Care program is shown in the column chart below. As a basic measure of affordability, many industry organizations consider the average residential bill as a % of Median Household Income (MHI).

$$\frac{\text{Average Residential Monthly Bill} \times 12}{\text{Median Household Income}}$$

The Oregon Department of Energy (ODOE) uses this measure in defining Energy Burden. Historically, EWEB customers at median income levels spend an average of 3.5% of household income on EWEB services, as noted by the green line the chart below.



Attachment 5

Water Capital Improvement Plan: 2026-2035

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	5-Year Total 2026-2030	5-Year Total 2031-2035	10-Year Total
Type 1 - Capital Asset Renewal and Replacement													
Source - Intake and Hayden Bridge	$ 2,135,000	$ 1,541,000	$ 4,731,000	$ 1,941,000	$ 742,000	$ 764,000	$ 787,000	$ 811,000	$ 835,000	$ 860,000	$ 11,090,000	$ 4,057,000	$ 15,147,000
Distribution - Pump Stations & Reservoirs	$ 2,462,000	$ 812,000	$ 845,000	$ 879,000	$ 905,000	$ 932,000	$ 1,473,000	$ 2,747,000	$ 1,019,000	$ 1,049,000	$ 5,903,000	$ 7,220,000	$ 13,123,000
Distribution - Pipelines	$ 6,196,000	$ 9,601,000	$ 9,985,000	$ 10,385,000	$ 10,696,000	$ 11,018,000	$ 11,348,000	$ 11,689,000	$ 12,040,000	$ 12,400,000	$ 46,863,000	$ 58,495,000	$ 105,358,000
Distribution - Services & Meters	$ 1,736,000	$ 1,736,000	$ 1,806,000	$ 1,878,000	$ 1,934,000	$ 1,992,000	$ 2,052,000	$ 2,114,000	$ 2,178,000	$ 2,242,000	$ 9,090,000	$ 10,578,000	$ 19,668,000
Distribution - Post AMI Meter Replacements/Upgrades	$ -	$ 494,000	$ 514,000	$ 534,000	$ 550,000	$ 567,000	$ 584,000	$ 601,000	$ 619,000	$ 638,000	$ 2,092,000	$ 3,009,000	$ 5,101,000
Information Technology	$ 1,080,000	$ 730,000	$ 1,229,000	$ 1,572,000	$ 2,079,000	$ 2,144,000	$ 1,671,000	$ 1,356,000	$ 1,823,000	$ 879,000	$ 6,690,000	$ 7,873,000	$ 14,563,000
Buildings & Land	$ 309,000	$ 186,000	$ 45,000	$ 63,000	$ 202,000	$ 54,000	$ 56,000	$ 58,000	$ 59,000	$ 58,000	$ 805,000	$ 285,000	$ 1,090,000
Fleet	$ 1,006,000	$ 775,000	$ 813,000	$ 858,000	$ 899,000	$ 946,000	$ 998,000	$ 946,000	$ 998,000	$ 1,028,000	$ 4,351,000	$ 4,916,000	$ 9,267,000
Total Type 1 Expenditures	**$14,924,000**	**$15,875,000**	**$19,968,000**	**$ 18,110,000**	**$ 18,007,000**	**$ 18,417,000**	**$ 18,969,000**	**$ 20,322,000**	**$ 19,571,000**	**$ 19,154,000**	**$ 86,884,000**	**$ 96,433,000**	**$ 183,317,000**
Type 2 - Infrastructure Rehabilitation & Expansion													
Source - Intake and Hayden Bridge	$ 4,848,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,848,000	$ -	$ 4,848,000
Distribution - Pump Stations & Reservoirs	$17,237,000	$ 4,012,000	$ 1,765,000	$ -	$ 387,000	$ 2,657,000	$ 3,417,000	$ -	$ -	$ -	$ 23,401,000	$ 6,074,000	$ 29,475,000
Distribution - Pipelines	$ 9,296,000	$10,180,000	$ -	$ -	$ 3,150,000	$ 11,682,000	$ 16,711,000	$ 6,885,000	$ -	$ -	$ 22,626,000	$ 35,278,000	$ 57,904,000
Buildings and Land	$ -	$ 1,431,000	$ 2,422,000	$ 1,911,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,764,000	$ -	$ 5,764,000
Advanced Meters	$ 3,533,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,533,000	$ -	$ 3,533,000
Information Technology	$ -	$ 5,701,000	$ 1,482,000	$ 881,000	$ -	$ -	$ -	$ -	$ 1,021,000	$ -	$ 8,064,000	$ 1,021,000	$ 9,085,000
Total Type 2 Expenditures	**$34,914,000**	**$21,324,000**	**$ 5,669,000**	**$ 2,792,000**	**$ 3,537,000**	**$ 14,339,000**	**$ 20,128,000**	**$ 6,885,000**	**$ 1,021,000**	**$ -**	**$ 68,236,000**	**$ 42,373,000**	**$ 110,609,000**
Total Expenditures	**$49,838,000**	**$37,199,000**	**$25,637,000**	**$ 20,902,000**	**$ 21,544,000**	**$ 32,756,000**	**$ 39,097,000**	**$ 27,207,000**	**$ 20,592,000**	**$ 19,154,000**	**$ 155,120,000**	**$ 138,806,000**	**$ 293,926,000**

Attachment 6

Electric Capital Improvement Plan: 2026-2035

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	5-Year Total 2026-2030	5-Year Total 2031-2035	10-Year Total
Type 1 - Capital Asset Renewal and Replacement													
Electric Infrastructure - Generation	$ 2,867,000	$ 1,962,000	$ 2,052,000	$ 1,002,000	$ 2,444,000	$ 936,000	$ 1,095,000	$ 1,127,000	$ 1,299,000	$ 1,196,000	$ 10,327,000	$ 5,653,000	$ 15,980,000
Customer-Driven Capital Expense	$ 2,930,000	$ 2,505,000	$ 2,606,000	$ 2,709,000	$ 2,791,000	$ 2,874,000	$ 2,961,000	$ 3,049,000	$ 3,141,000	$ 3,025,000	$ 13,541,000	$ 15,050,000	$ 28,591,000
Electric Infrastructure - Transmission & Distribution	$16,103,000	$11,848,000	$14,252,000	$15,538,000	$15,143,000	$15,599,000	$16,066,000	$16,549,000	$17,045,000	$16,964,000	$ 72,884,000	$ 82,223,000	$ 155,107,000
Downtown Distribution Network	$ 1,045,000	$ 1,048,000	$ 1,090,000	$ 1,133,000	$ 1,167,000	$ 1,201,000	$ 1,238,000	$ 1,275,000	$ 1,313,000	$ 1,352,000	$ 5,483,000	$ 6,379,000	$ 11,862,000
Telecommunications	$ 414,000	$ 178,000	$ 185,000	$ 192,000	$ 198,000	$ 366,000	$ 210,000	$ 216,000	$ 223,000	$ -	$ 1,167,000	$ 1,015,000	$ 2,182,000
Information Services	$ 4,185,000	$ 3,095,000	$ 4,611,000	$ 5,467,000	$ 8,093,000	$ 7,713,000	$ 6,218,000	$ 5,136,000	$ 6,338,000	$ 4,534,000	$ 25,451,000	$ 29,939,000	$ 55,390,000
Buildings & Land	$ 978,000	$ 589,000	$ 142,000	$ 201,000	$ 639,000	$ 172,000	$ 177,000	$ 182,000	$ 188,000	$ 184,000	$ 2,549,000	$ 903,000	$ 3,452,000
Electric Fleet	$ 2,203,000	$ 2,906,000	$ 3,112,000	$ 3,334,000	$ 3,538,000	$ 3,753,000	$ 3,981,000	$ 4,228,000	$ 4,481,000	$ 4,615,000	$ 15,093,000	$ 21,058,000	$ 36,151,000
Total Type 1 Expenditures	**$30,725,000**	**$24,131,000**	**$28,050,000**	**$29,576,000**	**$34,013,000**	**$32,614,000**	**$31,946,000**	**$31,762,000**	**$34,028,000**	**$31,870,000**	**$ 146,495,000**	**$ 162,220,000**	**$ 308,715,000**
Type 2 - Infrastructure Rehabilitation & Expansion													
Advanced Meters	$ 1,076,000	$ 189,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,265,000	$ -	$ 1,265,000
Electric Infrastructure - Generation	$30,581,000	$35,318,000	$41,651,000	$13,117,000	$12,036,000	$ 6,325,000	$ 3,909,000	$ 1,610,000	$ 138,000	$ 107,000	$ 132,703,000	$ 12,089,000	$ 144,792,000
Electric Infrastructure - Transmission & Distribution	$19,162,000	$16,537,000	$12,784,000	$27,545,000	$30,707,000	$39,851,000	$10,685,000	$15,702,000	$13,133,000	$ 8,522,000	$ 106,735,000	$ 87,893,000	$ 194,628,000
Information Services	$ -	$18,053,000	$ 7,164,000	$ 2,790,000	$ -	$ -	$ -	$ 2,892,000	$ 3,234,000	$ -	$ 28,007,000	$ 6,126,000	$ 34,133,000
Buildings & Land	$ -	$ 4,532,000	$ 7,671,000	$ 6,051,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,254,000	$ -	$ 18,254,000
Total Type 2 Expenditures	**$50,819,000**	**$74,629,000**	**$69,270,000**	**$49,503,000**	**$42,743,000**	**$46,176,000**	**$14,594,000**	**$20,204,000**	**$16,505,000**	**$ 8,629,000**	**$ 286,964,000**	**$ 106,108,000**	**$ 393,072,000**
Total Expenditures	**$81,544,000**	**$98,760,000**	**$97,320,000**	**$79,079,000**	**$76,756,000**	**$78,790,000**	**$46,540,000**	**$51,966,000**	**$50,533,000**	**$40,499,000**	**$ 433,459,000**	**$ 268,328,000**	**$ 701,787,000**