



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Cathy Bloom, Finance Manager; Sue Fahey, Fiscal Services Supervisor;  
Harvey Hall, Senior Financial Analyst  
DATE: July 3, 2013  
SUBJECT: Bonneville Power Administration (BPA) Pass-Through Resolution  
OBJECTIVE: Board Approval of Resolution No. 1315

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## Issue

Should EWEB automatically pass through BPA rate increases in lieu of holding public hearings?

## Background

BPA changes wholesale power rates applicable to EWEB's power purchase agreements every other year in odd years which align with the federal budgeting process. BPA provides utilities with rate change information in June or July prior to the November 1<sup>st</sup> implementation date. Historically, EWEB has held public hearings in September and October for these rate changes.

## Discussion

In 2012 the Board approved aligning the general rate change and budget approval processes to allow for more meaningful public input. Public hearings for general rate changes are now held in November and December instead of February and March. If EWEB continues to hold public hearings for BPA pass-through rate changes, hearings would be held in September and October for a November rate change implementation and also in November and December for the subsequent year rate change which is currently implemented in May. Additional public hearings regarding budget and rate assumptions are held July through October.

Legal counsel has advised that EWEB could automatically pass through a BPA rate increase without public hearings if the attached resolution is approved. Management believes that holding BPA pass-through hearings would be confusing to our customers, and EWEB would be better served to focus hearings on the budget and general rate change processes. Information regarding the BPA pass-through rate change would be provided via bill messages and/or public notice.

In recent webinars, the American Public Power Association has indicated that automatic pass through clauses are becoming more prevalent in the electric utility industry given the financial challenges many utilities are facing. Seattle City Light and Tacoma Public Utility District both take advantage of this method. Additionally, bond rating agencies view automatic pass-through clauses favorably since they show a Board's willingness to recover uncontrollable cost increases.

BPA is scheduled to announce final rate changes at the end of July. Current information indicates that the increase to EWEB will result in a rate increase of less than 2% to our customers, not the 4% originally estimated in the fall.

### **Recommendation**

Management recommends approval of the attached resolution authorizing the automatic pass-through of BPA rate changes. If approved, staff would request Board approval of revised policies and procedures incorporating the change at a subsequent meeting.

### **Requested Board Action**

Approval of Board Resolution No. 1315.

Attachment: Resolution No. 1315

**RESOLUTION NO. 1315**

**July 2013**

**EUGENE WATER & ELECTRIC BOARD  
REVISED ELECTRIC RATE SETTING**

**WHEREAS** the Eugene Water & Electric Board (EWEB) sets its rates under authority of ORS 225.220 to 225.300 and the powers vested by Eugene Charter Section 44,

**WHEREAS** the rates are based upon the probable expense of maintaining and conducting the electric utility and distributing system during the ensuing year, including the cost of any contemplated alterations, improvements, additions or extensions, together with the probable amount necessary for redemption of any unpaid warrants and the interest thereon, as well as the amount required for payment of interest and maturing principal on any outstanding bonds of the city issued for or in connection with the electric utility or distribution system,

**WHEREAS** the prospective power costs incurred as a part of normal operations cannot be predicted with certainty,

**WHEREAS** the EWEB purchases power from the Bonneville Power Administration (BPA) at rates which are subject to change independently by the BPA after public hearing in the course of federal budgeting process,

**WHEREAS** the EWEB policies and procedures currently establish the Board's discretion to make a rate adjustment for six months to reflect the variance in projected power costs due to changes in the BPA wholesale rates,

**WHEREAS** variability in BPA wholesale rates expose EWEB to increased costs not reflected in EWEB rates until the Board takes action to make a discretionary rate adjustment for recovery of prospective costs,

**WHEREAS** the Board has expressed its commitment to taking whatever future rate actions are necessary to pursue timely recovery of costs and preserve the financial integrity of EWEB,

**THEREFORE BE IT RESOLVED** that the Eugene Water & Electric Board hereby adopts to incorporate an automatic adjustment clause in EWEB electric rates to apply any increase or decrease of BPA wholesale rates.

Dated this 16<sup>th</sup> day of July 2013.

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

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President

I, TARYN M. JOHNSON, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its July 16, 2013 Regular Board meeting.

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Assistant Secretary