



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: Long-term Financial Plan Update and 2014 Budget Assumptions
OBJECTIVE: Direction on 2014 Budget Assumptions

Issue

Each year, the EWEB Board of Commissioners meets in the summer to provide overall guidance to staff in development of the following year's budget. Specifically, Board Policy SD6 requires that staff prepare a balanced budget on an annual basis that the board approves by the end of the calendar year.

Background

Beginning with the 2012 budget development, EWEB management and staff utilized a different approach starting with scenario based budgeting for 2012 and moving to a priority based budgeting (PBB) approach for subsequent budget development. Given the financial challenges facing both the Electric and Water Utilities, this approach has served EWEB well in its effort to align budgets with EWEB's mission and strategic plan. Instrumental to a PBB process is understanding customer priorities, and in June 2012 Public Affairs conducted both phone and web surveys to garner customer feedback. For your information, Attachment 1 includes the reductions made to the 2013 budget.

Recognizing that EWEB's financial challenges had not been completely addressed by the 2013 budget work, in September 2012 the Leadership Team began identifying strategic financial initiatives and using the PBB process to enhance financial stability. At your March 19, 2013 meeting, leadership team members presented their recommendations for a path forward. Attachment 2 is the presentation information shared at that meeting which includes detail on recommended department reductions at that time. In response to that information and prior information provided by EWEB's financial advisor, the Board approved financial policies that align with an "A" bond rating for the Electric Utility at the June 4, 2013 meeting.

Discussion

Over the last few months, management and staff have used the Board's feedback from the March 19 Board meeting to develop the long term financial plans and budget assumptions. One of the issues

raised by commissioners at the meeting was concern about position reductions and the impact layoffs would have on employees and the community. For the positions reduced in the 2014 budget assumptions, almost all have been managed through vacancies or retirements. Additionally, due to the extensive work performed by the Leadership Team to enhance EWEB's financial stability, financial targets are able to be achieved with lower rate increases than previously projected. Initially to meet financial targets, "business as usual" was projected to result in an approximate 20% Electric rate increase and 15% Water rate increase partly due to reducing the 2013 rate increase from 30% to 20%.

Overarching Forecast Assumptions

The assumptions used in creating forecasts and budgets greatly influence the results. The following assumptions have been used in developing the current forecasts and are anticipated to be used in creating the 2014 budget.

Both Utilities

- 2.3% non-labor CPI increase as per the US Bureau Labor and Statistics, Portland/Salem 10 year average
- Labor/Benefits increases:
 - 2.1% salary escalation based on an average of the Portland/Salem CPI for All Urban Consumers (CPI-U) and Wages (CPI-W)
 - PERS increase – 5 percentage points on July 1, 2015 and 2017; 3 percentage points on July 1, 2019, 2021, and 2023
 - Health insurance increase – 15% in 2014, 10% in subsequent years
- PBB Related O&M Net Change – Electric: \$5 million decrease (includes \$1.4 million reduction in conservation expenses), Water: \$200,000 increase due to net effect of reductions and \$600,000 addition for development of water master plan.
 - 11.4 FTE reduction, net.
 - 20 positions eliminated
 - Addition of 8.6 FTE primarily for customer service and in-sourcing foresters (corresponding non-labor reduction)
 - Public Affairs FTE reduction presented at 3/19 meeting changed to non-labor
 - Senior management – 1 FTE plus 1 FTE Water Supervisor

Electric

- Retail load approximately the same as 2013 budget – 2.5 million mWh
- 90% generation
- \$30 Merged mid market price curve increasing to \$55 in 2023
- No Carmen-Smith generation in 2019
- Bond issuances of \$12 million in 2017 for AMI, and \$65 million and \$60 million for Carmen-Smith in 2018 and 2020, respectively
- Rate increase effective May

Water

- Consumption approximately the same as 2013 budget – 7.4 million kgals
- Bond issuances of \$18 million in 2015 (includes \$5.0 million for AMI and \$4.5 million for accelerated meter body replacement); \$19 million for Type II capital work in 2017; \$67 million in 2019 (including \$50 million for Water Reliability Initiatives) and \$6 million in 2021 for Type II capital work
- Rate increase effective February

Long-term Financial Plan Rate Assumptions and Outcomes

Electric

For the Electric Utility, both 3% and 4% May 2014 rate increase options are presented along with the resulting projected financial metrics and change in reserves. Options 1-4 assume a 4% 2014 overall average rate increase. Option 1 includes Advanced Metering Infrastructure (AMI) costs and resulting benefits, while option 2 removes the financial impact of AMI. Options 3 and 4 show the LTFP results if wholesale prices decrease or increase 20%, respectively. Option 5 assumes a 3% 2014 overall average rate increase and includes the financial impact of AMI. The Electric long-term financial plan option outcomes are included in Attachment 3.

Water

Water Utility options include a 0% and a 3% February 2014 rate increase. Water Option 1, assumes a 0% overall average rate increase in 2014 and includes the financial impact of AMI. Options 2 and 3 assume a 3% 2014 overall average rate increase with and without the financial impact of AMI, respectively. Option 4, maintains Board targets for financial metrics for the length of the financial plan. The Water long-term financial plan outcomes are included in Attachment 4.

Recommendation

Management recommends that the Board direct staff to prepare the 2014 budget using the assumptions set forth in this document, a 4% May 2014 Electric increase and a 3% February 2014 Water increase.

Requested Board Action

Staff is not requesting Board action at the July 16th meeting; however, staff is requesting that the Board provide clear direction on assumptions to be used in developing the 2014 budget.

Attachment 1 – 2013 budget reductions

Attachment 2 – March 19, 2013 presentation

Attachment 3 – Summary of Electric LTFP Rate Assumptions and Outcomes

Attachment 4 – Summary of Water LTFP Rate Assumptions and Outcomes

Attachment 1 – 2013 Budget Reductions

Positions

To present a balanced 2013 budget, several positions were reduced and a few additions were included using the PBB process for decision-making. Approximately 40 net positions were eliminated including 2 director, 4 manager and 4 supervisor positions. Reductions represented about 9% of EWEB’s positions.

Department Reductions	
General Manager (includes 2 director positions)	-3.00
Electric (includes warehouse, facilities and steam)	-10.50
Water (includes new Utility Support Services section)	-1.00
Customer Service	-6.00
Energy Management Services	-11.00
Engineering	-9.50
Generation and Fleet	-3.25
Information Technology	-1.00
Strategic and Power Planning	-2.00
Power Operations	-2.00
Finance	-1.00
Environmental	-1.00
Human Resources	-2.30
Public Affairs	-2.00
Total Reductions	-55.55
Priority-based FTE Additions	
Utility Support Services in-sourcing	11.00
Information Technology FTE Approved in 2011	2.00
Water Operations	2.00
Fleet Operations	1.00
Net Reductions	-39.55


Non-labor Operation & Maintenance

Department Reductions	
General Manager	\$ 25,000
Electric (includes warehouse and facilities)	\$ 114,000
Water	\$ 222,000
Customer Service	\$ 168,000
Energy Management Services	\$1,616,000
Engineering	\$ 329,000
Generation and Fleet	\$ 48,000
Information Technology	\$ 218,000
Strategic and Power Planning	\$ 142,000
Power Operations	\$ 456,000
Finance	\$ 19,000
Environmental	\$ 190,000
Human Resources	\$ 343,000
Public Affairs	\$ 239,000
Total	\$4,129,000

Non-labor increases totaled approximately \$1.1 million. Significant changes include \$600,000 in information technology software, maintenance and supplies with over half of the increase supporting the Metro-Ethernet project which will help ensure backup control facilities are NERC compliant. Other increases include funding for critical water supplies, and SCADA software services, maintenance and training (\$175,000); increased costs for fuel and vehicle supplies (\$100,000); and increased costs for credit card processing and collection agency fees (\$100,000).

Capital

In addition, over \$60 million of capital improvement work was deferred or eliminated.



Eugene Water & Electric Board

Financial Initiatives Work Session Electric Utility

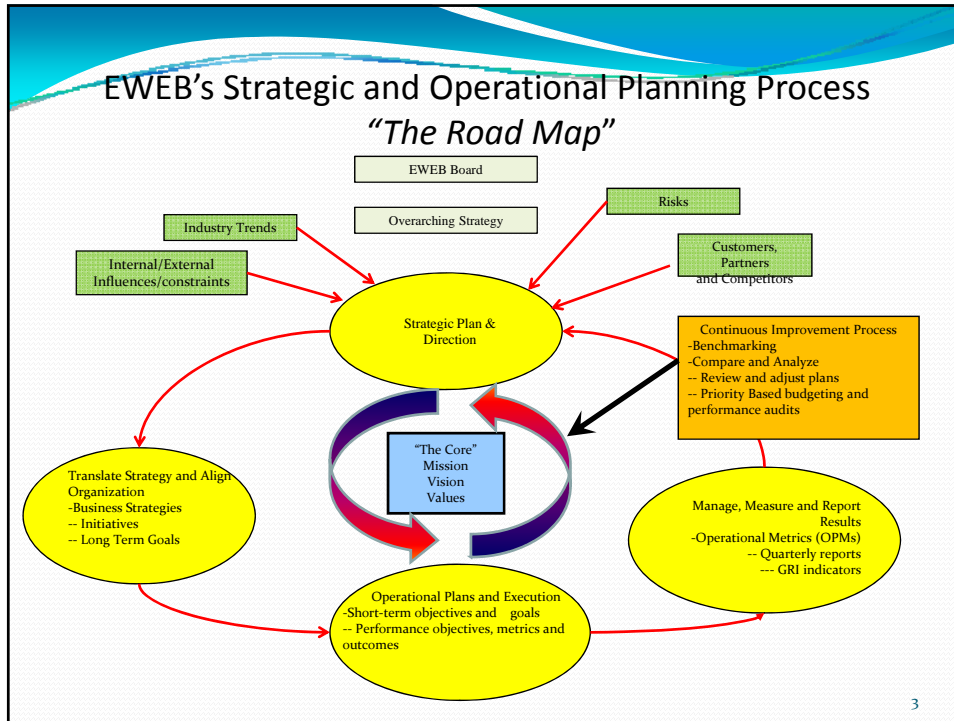
March 19, 2013

1

Agenda

- Objectives of Meeting
- Review Process to Date
- Review Original (2012) Electric Utility Long Term Financial Plan Assumptions/Results
- Discuss Options to Improve Electric Utility Financial Metrics
- Obtain Board direction and Next Steps

2



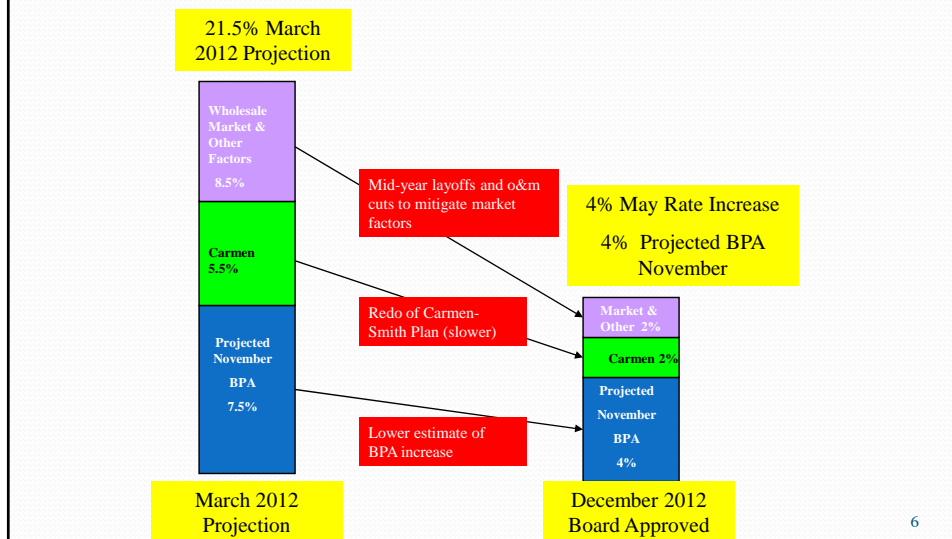
- ## Work Session Objectives
- Board direction on:
 - Debt service coverage (DSC) and resulting implied bond rating
 - Potential service level changes
 - Capital and O&M
 - Implied potential electric rate change that results from turning rate, DSC, service level change, and risk "dials"
- 4

Process to Date

- Significant reductions in 2012 to balance 2013 budget and to mitigate magnitude of rate increase.
 - Over \$60 million of capital projects delayed or deferred
 - Operation & maintenance reductions - \$7.5 million
 - 50 positions eliminated
 - Approximately 9%

5

2013 Electric Rate Drivers (March 2012 Projection vs. December 2012)



6

Process to Date (cont)

- October 2012 Electric Utility LTFP indicated reserves and debt service coverage dipping below targets
- Leadership Team began discussing options for improving financial stability in December 2012
 - Considered need to balance service levels, debt service coverage, rate changes and risk “dials” from both the short term and long term perspectives
 - Used Priority based budgeting
 - Developed options for Board discussion tonight
- March 5th Board meeting– Introduced “dial” model and presented conceptual scenarios showing impacts of different potential decisions

7

Original (2012) Electric Long Term Financial Plan Assumptions

Revenue Assumptions

- 3% base rate increase in years 2014-2022
- Incremental increases for the Carmen-Smith debt service costs (2014-2018)
- BPA pass-through rate increase of 2.5% in odd numbered years
- Base/Carmen-Smith rate increases effective May; BPA rate increase effective in November
- 2.5 million mWh’s retail consumption for 2013, no material load growth assumption
- 90% Hydro assumption

Power and Wholesale Assumptions

- 6% BPA increase in odd-numbered years
- Forward price curve of \$33 in 2014 increasing to \$58 in 2022
- 2015 Carmen-Smith generation outage
 - \$2.7 million impact

8

Original 2012 Electric Long Term Financial Plan Assumptions

Expense Assumptions

- Wages and Benefits
 - Wage increases– 2.1% per year
 - Benefits – Health insurance: 15.6% in 2014, 8.6% in subsequent years; PERS unfunded actuarial liability debt issuance costs and related PERS rate reduction in 2014
- 2.1% Non-labor CPI as per the US Bureau of Labor Statistics, Portland-Salem 10-year average

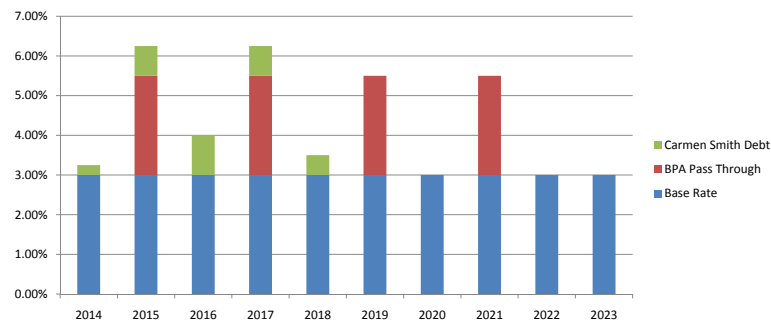
Capital/ Debt Service Assumptions

- Capital expenditures per Capital Improvement Plan approved August 2012
- Bonds issued for Carmen-Smith of \$40 million in 2014, \$55 million in 2016, and \$40 million in 2018
- Bonds issued for AMI of \$17 million in 2015
- PERS Unfunded Actuarial Liability bond issuance of \$85 million in 2013

9

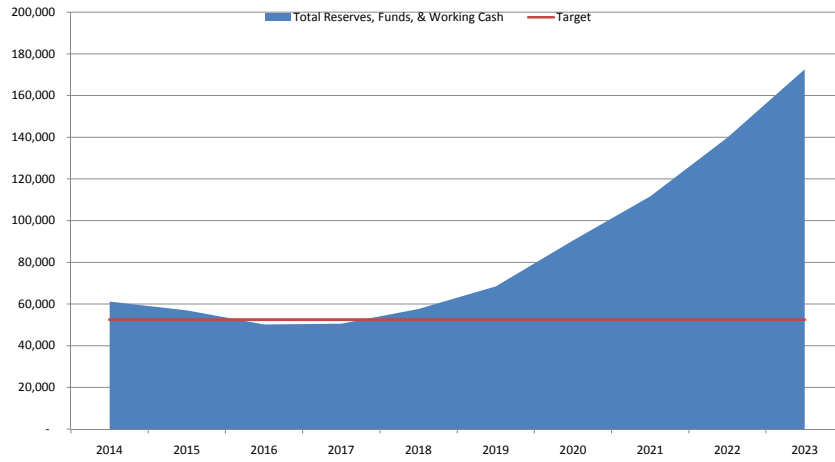
Original 2012 Electric Long Term Financial Plan Assumptions

Rate increases resulting from assumptions:



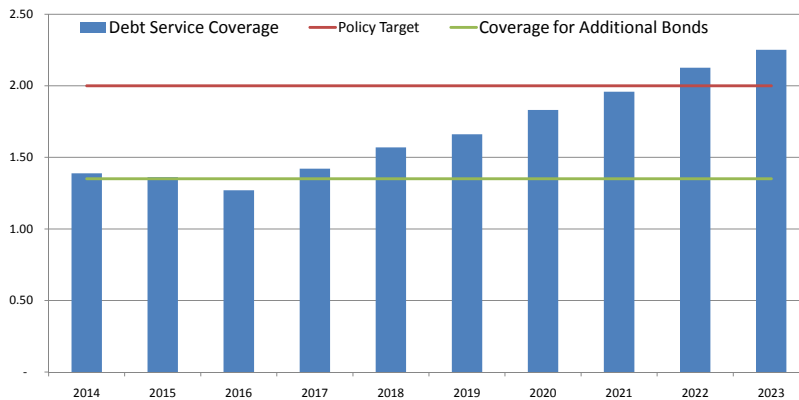
10

Original 2012 Electric Long Term Financial Plan Projected Reserves and Cash Balances (000's omitted)



11

Original 2012 Electric Long Term Financial Plan - Projected Debt Service Coverage Ratios



12

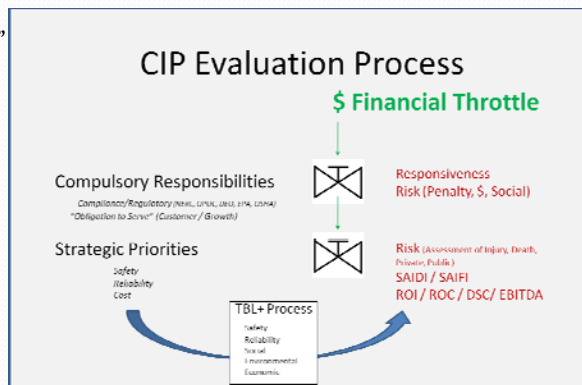
Financial Initiatives to Improve 2014 Financial Health

The following were considered in developing the options presented tonight:

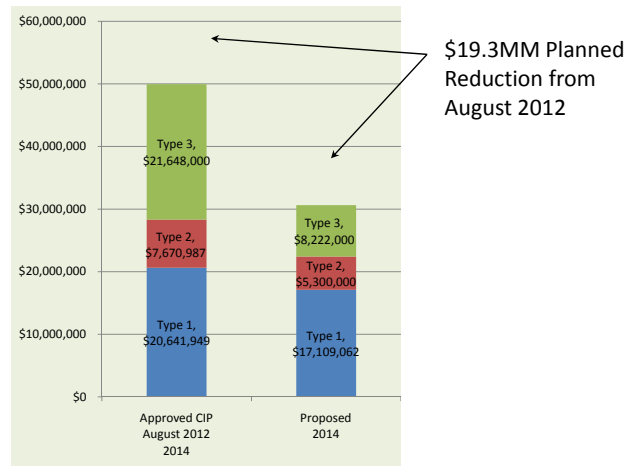
- Capital Improvement Plan Reductions
- Deferral of Bond Issuances
- O&M Reductions
- Asset Sales
 - Property
 - Generation/Other
- Board targets for DSC/Implied bond rating
- Potential change in electric rate assumption

CIP Adjustments & Deferrals Process Summary

- Evaluated Resource/Capacity
- Segmented “Compulsory” vs. “Strategic” Drivers
- Prioritized Compulsory Projects by Risk/Response
- Prioritized Strategic Projects by Impact (Safety, Reliability, Cost, Environmental, Social) Resulted in “Push-Pull” Impact on Projects
- Adjusted Large Strategic Programs to Optimize Financial Impact



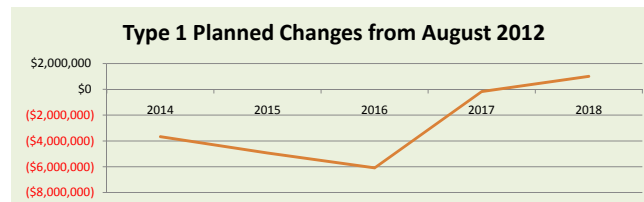
CIP Adjustments & Deferrals 2014 Financial Impact



15

CIP Adjustments & Deferrals Results

Type 1 Reductions of \$3.7MM (2014); Estimated 5-Year (2014-18) Reduction of \$13.9MM



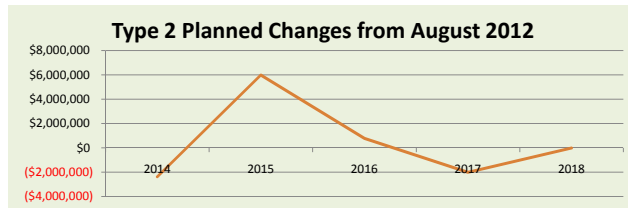
Sample Reductions & Deferrals ("Push-Pull"):

- Deferred capital rebuilds not associated with safety/short-term Reliability (e.g. feeder capacity-based upgrades, age-based substation transformers)
- Accelerated High Voltage Breaker Replacements/Live-Front Switch Replacements
- Munn Bridge Replacement Deferral
- Increased Strategic I.T. Projects
- Reduced Planned AMI (Non-Meter) Costs

16

CIP Adjustments & Deferrals Results

Type 2 Reductions of \$1.6-2.3MM (2014); Estimated 5-Year (2014-18) Balance

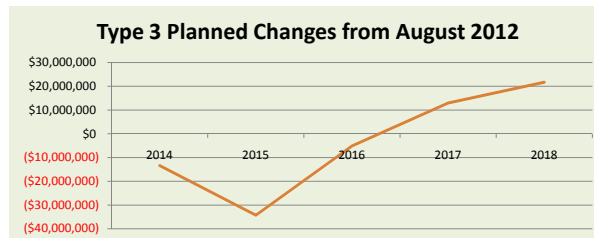


98% of Type 2 Capital is "Downtown Network" Project
 Status: Detailed asset condition assessments underway & impact on design options being evaluated.

17

CIP Adjustments & Deferrals Results

- Type 3 Reductions of \$13MM (2014), \$34MM (2015); Estimated 5-Year (2014-18) Reduction of \$18MM



Carmen/Smith License – Depending on FERC license issuance, the time window for major construction is anticipated to be 2014-2020. Scheduling adjustments are being optimized based on finances and settlement agreements.
 AMI – Includes Proposed deferral of possible meter deployment (2016)

18

Bond Issuance Deferrals

- Carmen-Smith
 - Next issuance deferred to 2016
 - \$75 million
- Type II-Rehabilitation & Expansion/AMI
 - AMI issuance in 2016 – \$17 million
 - Type II funded with capital reserves
- PERS Unfunded Actuarial Liability
 - Deferred indefinitely
 - Potential use of reserves if available and board approved

19

Financial Initiatives Work Session – March 2013

Operation & Maintenance Changes

20

Summary of Net FTE and Non-Capital Expense Changes

- Lower Risk Changes
 - Increased revenue \$1 million
 - Renewable Energy Credits
 - Trading floor scheduling services
 - Rental and lease revenue (e.g., HQ space)
 - Customer Service fee changes already approved
 - \$1.8 million non-labor, net reduction
 - 1.4 FTE, net decrease
- Higher Risk Changes
 - \$900,000 non-labor
 - 16 FTE reduction

21

Department O&M Proposals - Engineering

- Lower Risk Reductions
 - \$234,000 non-labor, net
 - \$344,000 reductions
 - \$110,000 baseline increases
- Higher Risk Reductions
 - \$50,000 non-labor
 - 1 FTE
- Related Risks
 - Longer project timelines
 - More difficult to deal with emergent issues or unplanned work
 - Exposure to emerging compliance issues

22

Department O&M Proposals-Electric/Facilities Operations

- Higher Risk Reductions
 - One Tree Crew (contracted services)
 - One Line Crew (4 FTE)
 - 50% capital
 - 1 FTE Facilities
- Related Risks
 - Slightly more aggressive tree trimming (increase in customer complaints)
 - Widespread outage restoration time extended
 - Slower response to facility issues and some deferred maintenance

23

Department O&M Proposals- EMS

- Conservation Target – 1.4 aMW (matches approved IERP)
- Lower Risk Reductions
 - \$1,293,000, non labor
 - \$1,000,000 incentive reductions due to lower conservation target
 - \$198k – NEEA
 - \$95k – miscellaneous resource reductions
 - 5 FTE due to lower conservation target
- Related Risks
 - Customers, employee and contractors confidence in EWEB's commitment to its conservation programs

24

Department O&M Proposals – Customer Service

- Lower Risk Reductions/Service Level Increases
 - \$48,000 non-labor reductions, net
 - \$128,000 reduction
 - \$80,000 baseline increases
 - \$60k risk if not PCI compliant by year end
 - \$20k under estimation of bill print costs (might be offset by increase in paperless customers on new eBilling)
 - **4.35 FTE increase**
 - 3.35 FTE customer service
 - 1.00 FTE meter reading
- Higher Risk Reductions
 - \$300,000 reduction to low income education program
 - Reduces customer care program to \$1.4 million
 - 1 FTE

25

Department O&M Proposals – Generation/Fleet

- Lower Risk Reductions
 - 1 FTE Fleet
- Higher Risk Reductions
 - \$121,000 reduction in fuel/overtime
 - 1 Middle Management FTE, Generation
- Related Risks
 - Supervisor/staff ratio stretched
 - Staff/task ratio stretched
 - Less ability to respond to unplanned work or deferral of work

26

Department O&M Proposals- Power & Strategic Planning

- Lower Risk Reductions
 - \$45,000 non-labor, net
 - \$65,000 reductions
 - \$20,000 baseline increase
- Higher Risk Reductions
 - \$165,000 non-labor
 - APPA, NWPPA, PGP and other memberships
 - 1 Staff FTE
- Related Risks
 - Fewer organizational affiliations, less regional influence and monitoring of key issues impacting EWEB
 - Less customer facing program research / engagement. (note: EWEB's entire IERP depends 100% on customer participation in energy efficiency and demand response)
 - Less prepared for future challenges

27

Department O&M Proposals - Power Operations

- Baseline/Service Level Increases
 - \$149,000 non-labor, *net increase*
- Higher Risk Reductions
 - \$8,000 non-labor
 - 1 FTE
- Related Risks
 - Increased real-time staff workload from upcoming implementation of new Slice contract could impact EWEB and its wholesale scheduling clients.
 - Will be monitored in 2013

28

Department O&M Proposals- Environmental

- Lower Risk Reductions
 - \$50,000 non-labor, net
 - \$75,000 reduction
 - \$25,000 baseline increase
- Related Risks
 - Low environmental compliance risk
 - Wetland mitigation work at ROC taper down maintenance
 - Environmental management system for remote facilities

29

Department Changes – IT/Physical Security

- Lower Risk Reductions
 - \$149,000 non-labor, net
 - \$188,000 reduction
 - \$39,000 baseline increase
- Higher risk reductions
 - \$269,000 non-labor
 - 1 Project Management FTE
- Related Risks
 - Reduced capacity to manage projects could result in decreased ability to leverage new modern technologies
 - Slow down modernization of EWEB's core IT systems. Less ability to provide customer options, improve service, etc.

30

Department O&M Proposals - Human Resources & Organization Safety

- Lower Risk Reductions
 - \$3,000 non-labor, net
 - \$43,000 reduction
 - \$40,000 baseline increase for crane training
 - .25 FTE increase
- Higher Risk Reductions
 - \$56,000 non-labor
- Related Risks
 - Reductions in employee facing programs and HR services could impact morale
 - Leadership training/employee development efforts will be negatively impacted

31

Department O&M Proposals - Financial Services/Purchasing

- Lower Risk Reductions
 - \$62,000 non-labor
- Higher Risk Reductions
 - 1 Purchasing analyst FTE
- Related Risks
 - Fewer staff to process and review contracts which could result in longer/delayed construction project timelines

32

Department O&M Proposals - Public Affairs

- Lower Risk Reductions
 - \$23,000 non-labor and contract labor for events
- Higher Risk Reductions
 - 1 FTE
- Related Risks
 - Reduction of services with positive impact on customers
 - Further loss of “goodwill” among customers
 - Reduction in ability to meet Board’s public engagement and customer-knowledge goals

33

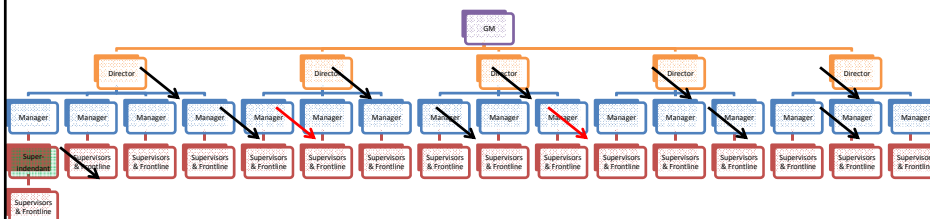
Department O&M Proposals –Senior Management

- Lower Risk Reductions
 - \$47,000 non-labor
- Higher Risk Reductions
 - \$62,000 non-labor
 - Senior Management – Up to 3 FTE
- Related Risks
 - Elimination of entire layer of senior management and other reductions of managers creates large span of control and burnout issues.
 - Potential loss of effective oversight and management

34

EWEB Changes in Organization Structure 2010 to 2013

Based on 2012 Reorganization and Potential 2013 Changes for Scenario 3 (Option A)



EWEB Employee Reductions by Level (assuming Management Recommendation)

Classification	2010	EOY2013	% Reduction
Directors ("Senior Management")	5	0	-100%
Manager ("Middle Management")	17	10	-40%

35

Organization Wide Risks from Proposed Reductions

- Reduced services to customers
- Less flexible and adaptable to emergent needs
- Potential for longer outages
- Erosion of employee morale
- Employee retention and recruitment

36

Asset Sales

- Currently reviewing several options
 - Generation Assets
 - Riverfront property (except HQ, CU and Midgley)
 - Misc. Property sites
 - W. 3rd Street
 - Service Territory
- Depending on the asset, impact on financial metrics will vary
- Due to uncertainty, no sales are currently included in LTFP update
- Generally speaking, assets sales generate “one-time” revenue and not recurring revenue. Therefore, they have the potential to reduce borrowing needs or increase reserve levels, but not necessarily have a material influence on on-going rate levels

37

Scenarios #1 and #2

Electric Long Term Financial Plan Scenarios	Board Decision "Dials"			
	Approximate Rate Increase*	Debt Service Coverage/Implied Bond Rating	Capital/O&M Service Level Reductions (excluding debt deferral)	Operational Related Risk
1. Business as usual	20%	2.00/AA	No additional dollar reductions.	No service/customer impacts relative to status quo
2. Base rate increase of 3%; maintain 2.0 Debt Service Coverage	3%	2.00/AA	~\$20 million/Very large FTE impact	Serious and immediate service and customer impacts.

* Includes 3% base rate assumption

38

LTFP Results – Scenarios #1 & #2

Scenario #1 - Business as Usual (000s omitted)	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rate Increases	20.00%	6.25%	4.00%	6.25%	3.50%	5.50%	3.00%	5.50%	3.00%
Change in Reserves	\$ 16,000	\$ 27,200	\$ 27,800	\$ 36,300	\$ 47,200	\$ 54,000	\$ 67,400	\$ 68,200	\$ 77,400
Debt Service Coverage	2.00	2.25	2.17	2.28	2.48	2.64	2.85	3.02	3.23

Scenario #2 - Base rate of 3%, maintain 2.0 DSC (000s omitted)	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rate Increases	3.25%	6.25%	4.00%	6.25%	3.50%	5.50%	3.00%	5.50%	3.00%
Change in Reserves	\$ 16,200	\$ 15,200	\$ 14,000	\$ 21,500	\$ 30,500	\$ 36,200	\$ 47,900	\$ 47,700	\$ 55,400
Debt Service Coverage	2.00	1.91	1.81	1.92	2.10	2.23	2.41	2.56	2.74

39

Scenarios #3 & #4

Electric Long Term Financial Plan Scenarios	Board Decision "Dials"			
	Approximate Rate Increase*	Debt Service Coverage/Implied Bond Rating	Capital/O&M Service Level Reductions (excluding debt deferral)	Operational Related Risk
3. Balanced Option A - Includes all Capital and O&M proposed reductions/revenue enhancements	5%	1.75/A	~\$11 million/ 17 net FTE impact	Moderate and some delayed service/customer impacts.
4. Balanced Option B - Includes Capital, Lower risk O&M proposed reductions/revenue enhancements	7%	1.75/A	~\$8 million/ 2 net FTE impact	Minor to moderate service/customer impacts.

* Includes 3% base rate assumption

40

LTFP Results – Scenarios 3 & 4

Scenario #3- Balanced Option A (000 omitted)	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rate Increases	5.00%	5.50%	5.25%	5.50%	5.25%	5.50%	3.00%	5.50%	3.00%
Change in Reserves	\$ 7,800	\$ 9,100	\$ 9,000	\$ 14,800	\$ 20,000	\$ 24,500	\$ 35,300	\$ 40,400	\$ 38,200
Debt Service Coverage	1.84	1.85	1.73	1.91	2.07	2.12	2.31	2.48	2.67

Scenario #4- Balanced Option B (000 omitted)	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rate Increases	7.00%	5.50%	5.25%	5.50%	5.25%	5.50%	3.00%	5.50%	3.00%
Change in Reserves	\$ 7,600	\$ 10,300	\$ 10,500	\$ 16,200	\$ 21,900	\$ 26,300	\$ 37,400	\$ 42,600	\$ 40,500
Debt Service Coverage	1.84	1.90	1.78	1.95	2.13	2.17	2.36	2.54	2.73

41

Additional Options for Discussion

Scenario #5- Balanced Option C (000 omitted)	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rate Increases	4.00%	5.50%	5.25%	5.50%	5.25%	5.50%	3.00%	5.50%	3.00%
Change in Reserves	\$ 6,600	\$ 7,200	\$ 6,900	\$ 12,600	\$ 17,700	\$ 22,200	\$ 32,900	\$ 37,800	\$ 35,500
Debt Service Coverage	1.80	1.78	1.66	1.84	2.01	2.06	2.24	2.41	2.60

Option C assumes same capital and O&M changes as **Scenario #3 - Option A**, with a lower rate increase, DSC and change in reserves.

Scenario #6- Balanced Option D (000 omitted)	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rate Increases	6.00%	5.50%	5.25%	5.50%	5.25%	5.50%	3.00%	5.50%	3.00%
Change in Reserves	\$ 6,400	\$ 8,400	\$ 8,400	\$ 14,100	\$ 19,500	\$ 24,000	\$ 34,900	\$ 40,000	\$ 37,800
Debt Service Coverage	1.79	1.83	1.71	1.89	2.06	2.11	2.30	2.47	2.66

Option D assumes same capital and O&M changes as **Scenario #4 - Option B** with a lower rate increase, DSC and change in reserves.

42

Next Steps

- Need General Board Response and Direction tonight to further develop 2014 plans (budget, LTFP, CIPs, etc.)
- Water utility discussion (major issue is how to deal with the “deferral” of the 10% rate increase)
- 2013 capital budget true-up – April 2nd
- Board Financial Work Session – July 16th

Attachment 3

			Summary of Electric LTFP Assumptions and Outcomes										
		Current Target	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Option	2014 Assumptions												
1	4% Rate Increase	Reserves & Cash	\$47,120 - \$57,620	\$94,600	\$101,300	\$108,800	\$116,700	\$104,200	\$104,100	\$112,600	\$129,000	\$152,600	\$183,800
		Operating Reserve Change		\$5,100	\$5,800	\$5,400	\$9,000	\$5,900	\$1,500	\$10,700	\$18,400	\$22,600	\$29,900
		DSC	1.75 - 2.0	1.82	1.77	1.88	1.88	1.82	1.67	1.93	2.03	2.20	2.69
2	4% Rate Increase without AMI	Reserves & Cash	\$47,120 - \$57,620	\$88,700	\$94,200	\$110,100	\$120,100	\$106,100	\$102,400	\$111,600	\$126,600	\$143,400	\$149,300
		Operating Reserve Change		\$4,400	\$7,400	\$6,500	\$7,200	\$5,000	\$300	\$10,200	\$17,000	\$20,800	\$28,100
		DSC	1.75 - 2.0	1.82	1.77	1.82	1.86	1.83	1.67	1.95	2.04	2.22	2.73
3	4% Rate Increase with 20% Price Decrease	Reserves & Cash	\$47,120 - \$57,620	\$94,400	\$99,700	\$104,400	\$109,100	\$91,400	\$87,300	\$90,100	\$101,200	\$119,200	\$144,600
		Operating Reserve Change		\$4,900	\$4,400	\$2,600	\$5,800	\$700	-\$2,500	\$5,000	\$13,100	\$17,000	\$24,100
		DSC	1.75 - 2.0	1.82	1.71	1.77	1.76	1.65	1.55	1.77	1.89	2.05	2.51
4	4% Rate Increase with 20% Price Increase	Reserves & Cash	\$47,120 - \$57,620	\$95,300	\$103,500	\$114,000	\$125,100	\$117,800	\$121,900	\$136,000	\$157,700	\$187,100	\$224,100
		Operating Reserve Change		\$5,800	\$7,300	\$8,400	\$12,200	\$11,100	\$5,700	\$16,300	\$23,700	\$28,400	\$35,700
		DSC	1.75 - 2.0	1.85	1.82	1.99	1.99	1.98	1.79	2.09	2.18	2.35	2.88
5	3% Rate Increase	Reserves & Cash	\$47,120 - \$57,620	\$93,500	\$98,200	\$103,700	\$109,500	\$94,800	\$92,400	\$98,400	\$112,400	\$133,400	\$161,900
		Operating Reserve Change		\$4,000	\$3,800	\$3,400	\$6,900	\$3,700	-\$800	\$8,200	\$16,000	\$20,000	\$27,200
		DSC	1.75 - 2.0	1.78	1.69	1.80	1.80	1.75	1.60	1.86	1.97	2.13	2.61

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

Rate Schedule	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Base Rate Increase	3% or 4%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
BPA Increase		2.50%		2.50%		2.50%		2.50%		2.50%
Carmen/Smith Debt					1.75%		1.50%			
Total Rate Increase	3% or 4%	5.50%	3.00%	5.50%	4.75%	5.50%	4.50%	5.50%	3.00%	5.50%

Attachment 4

Summary of Water LTFP Rate Assumptions and Outcomes (000s omitted)

Option	Assumption	Current Target	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
1	0% Rate Increase 2014; 3% thereafter	Reserves & Cash	\$7,900 - \$11,400	\$8,080	\$10,211	\$12,015	\$13,556	\$14,003	\$8,885	\$4,416	\$ (1,403)	\$ (6,783)	\$ (12,166)
		Operating Reserve Change		\$1,329	\$978	\$682	\$ (52)	\$ (755)	\$ (3,086)	\$ (5,413)	\$ (5,589)	\$ (5,749)	\$ (5,663)
		DSC	2.00-2.50	2.58	2.40	2.21	2.03	1.89	1.49	1.24	1.24	1.24	1.27
		Feb Rate Action		0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
2	3% Rate Increases 2014-2023	Reserves & Cash	\$7,900 - \$11,400	\$8,929	\$12,031	\$14,837	\$17,413	\$18,929	\$14,915	\$11,585	\$6,942	\$2,777	\$ (1,352)
		Operating Reserve Change		\$2,178	\$1,949	\$1,685	\$984	\$314	\$ (1,982)	\$ (4,273)	\$ (4,413)	\$ (4,534)	\$ (4,409)
		DSC	2.00-2.50	2.73	2.55	2.36	2.17	2.02	1.59	1.33	1.33	1.34	1.37
		Feb Rate Action		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
3	3% Rate Increases 2014-2023; NO AMI	Reserves & Cash	\$7,900 - \$11,400	\$8,929	\$12,739	\$15,828	\$18,245	\$20,024	\$16,208	\$13,042	\$8,549	\$4,405	\$268
		Operating Reserve Change		\$2,178	\$2,285	\$1,748	\$1,088	\$439	\$ (1,881)	\$ (4,197)	\$ (4,364)	\$ (4,512)	\$ (4,416)
		DSC	2.00-2.50	2.73	2.70	2.62	2.40	2.22	1.71	1.40	1.41	1.41	1.44
		Feb Rate Action		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
4	3% Rate 2014; 4% 2015- 2018; 9.8% 2019-2020; 3% 2021-2023 *\$15 million in capital paid for with reserves in 2019	Reserves & Cash	\$7,900 - \$11,400	\$8,929	\$12,306	\$15,715	\$19,248	\$22,099	\$9,173	\$13,118	\$16,249	\$20,075	\$24,162
		Operating Reserve Change		\$2,178	\$2,224	\$2,288	\$1,940	\$1,649	\$2,074	\$3,002	\$3,360	\$3,457	\$3,808
		DSC	2.00-2.50	2.73	2.60	2.45	2.30	2.19	2.03	1.97	2.00	2.01	2.07
		Feb Rate Action		3.0%	4.0%	4.0%	4.0%	4.0%	9.5%	9.5%	3.0%	3.0%	3.0%

Water Reliability Initiative Incremental Debt Service Rate Impact		6.85%	5.93%
--	--	-------	-------

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