Eugene Water & Electric Board
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February 2014 Electric Rate Proposal

Fiscal Services Department
November 2013

EUGENE WATER & ELECTRIC BOARD
FEBRUARY 2014 ELECTRIC RATE PROPOSAL

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I. INTRODUCTION

Purpose of Study

The purpose of this rate study is to provide background information and technical analyses in support of Eugene Water & Electric Board (EWEB) staff recommendations for revised electric rates. The study includes documentation of electric system revenue requirements, projected system loads and sales, and allocation of ongoing utility costs to individual customer classes for the 12-month period beginning January 2014. The most recent prior electric rate revision was the Bonneville Administration pass-through in November 2013, amounting to a 1.75 percent overall average rate increase.

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

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

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

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

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

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

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

Changes Since Last Revision

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

Establishment of Rates

EWEB is a locally regulated municipal utility operating under the authority of the Eugene City Charter and pertinent provisions of Oregon law. The responsibilities delegated to the Board pursuant to the City Charter are carried out by five elected Commissioners who serve without pay. As an independent municipal agency, the EWEB Commissioners have exclusive jurisdiction to approve annual operating budgets and establish rates for electric service.

Although EWEB's electric rates are not subject to regulatory review by any federal or state utility commission or similar agency, the Board must comply with the requirements of applicable state and federal statutes as they pertain to the development of rates and the general conduct of utility business. Current statutes and related case law provide two general standards concerning the establishment of retail electric rates.

The first of these rate making standards allows EWEB to set rates at a level sufficient to recover the ongoing costs of utility operation. These costs include annual operating expense, requirements for capital additions, interest and amortization of outstanding debt, and applicable tax obligations. This standard is intended to ensure the financial integrity of the utility, while defining the costs of operation which can be lawfully recovered through rates.

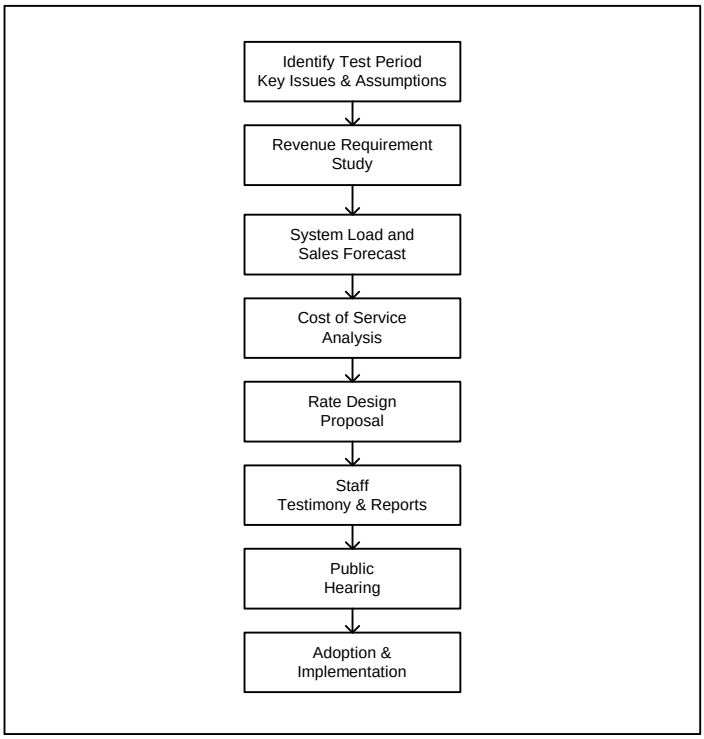
The second standard requires that rates and charges for utility service be fair and nondiscriminatory. Rates are considered nondiscriminatory when customers receiving like and contemporaneous service under similar circumstances are treated equally in the development and application of specific rates. This second standard protects the equity concerns of individual utility customers, based on established utility policies and practice for allocating costs among customers and customer classes.

The above standards, together with established Board policies concerning cost allocation and rate design, allow EWEB to maintain rates at the lowest possible level consistent with sound financial principles and traditional utility rate making practices. They also give EWEB's elected Board of Commissioners complete authority to approve rates which are cost-based, nondiscriminatory and in concert with the needs of EWEB customers.

Rate Review Process

EWEB's electric rates are reviewed with each annual budget cycle to ensure that they remain adequate to cover the cost of utility operations over the budget period. When budget projections or other forecasted operating conditions indicate the need for a rate adjustment, EWEB staff is directed to prepare studies which determine appropriate rate levels for each customer class. This formal review process involves several steps, all of which are coordinated with the EWEB Commissioners, General Manager, and management of the utility's operating departments. The process also affords an opportunity for review and comment by EWEB customers and other interested parties (see *Figure 1*).

Figure 1
Rate Review Process



The first step in the rate review process is a detailed examination of the projected operating costs, capital expenditures and anticipated revenues at current rates. The purpose of this effort is to confirm the overall revenue requirements which serve as a basis for development of proposed rates, the timing of the proposed rate adjustment, and the period of time (or "test period") over which the new rates are expected to remain in place.

The next step is an assessment of the electric system load and resource forecasts. These projections are prepared by EWEB's Fiscal Services Department, consistent with historical and future growth trends in the EWEB service area. The forecasts are then used to estimate system sales by rate class, as well as purchased power costs for the next several years. Test period load and sales forecasts are of major importance, since wholesale purchased power costs comprise approximately 50 percent of EWEB's total annual operating expenses.

Once EWEB's projected operating costs, revenue requirements and sales forecasts have been determined, the Fiscal Services Department staff performs a detailed Cost of Service Analysis. The purpose of this study is to allocate test period costs to each of EWEB's customer classes and rate schedules in accordance with the manner in which individual cost items are incurred. EWEB's cost-of-service procedures employ standard utility industry costing methods, consistent with the policy guidelines established by the Board.

The Cost of Service study is used to calculate total allocated costs and segregated revenue requirements for each customer class. The resulting unit costs are then used to develop specific components and recommended revisions for EWEB's published schedules for electric service.

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

Public Notice and Hearings Schedule

EWEB's rate review process is a formal, sequential procedure. The underlying objective of this process is to ensure that EWEB customers and the general public receive adequate notice and explanation of pending rate change proposals and is an opportunity for the Board to hear and consider all public comment prior to approval and implementation of revised rates. Toward this end, the EWEB Commissioners have adopted specific guidelines for public notice and hearings during discussion of electric rate recommendations.

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

> "a. Thirty days prior to official explanation and consideration of electric rate proposals involving either of the two major rate classes, residential and commercial, EWEB will provide public notice in the form of legal notices placed in prominent local newspapers, and news releases to all local radio, television, and printed media.
>
> The legal notices and news releases will contain notification of rate classes under consideration for change and date, time and location of the public hearing. Adequate time will be provided at that meeting for public participation.
>
> b. EWEB will supply all persons who attend the hearing copies of all presentation material. In addition, if further supportive background material is requested by the public following the first hearing, EWEB will supply it for the cost of duplication.
>
> c. On a date to be determined by the Board, but not earlier than 30 days following the first consideration of a rate change, the Board may adopt a revised rate. Adequate time will be provided at that meeting for public participation prior to the adoption of a revised rate."

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

Publication Name	Date
The Register-Guard	September 30, 2013

Exhibit 1 contains the text used in the published legal notices.

Customers are invited to comment on EWEB's budget and rate assumptions throughout the budget development process. There are two scheduled public hearings specifically for rate proposals. The hearings will be held during the EWEB Commissioners meetings on Tuesday, November 5th, beginning at 5:30 p.m. and Tuesday, December 3rd, beginning at 5:30 p.m. at the EWEB Headquarters, 500 East Fourth Ave., in Eugene.

Written comments are also welcome, and may be sent to the attention of EWEB's Fiscal Services Department, PO Box 10148, Eugene, OR 97440. For timely consideration, written comments must be received prior to December 2, 2013, to ensure delivery to the Board prior to their scheduled action on the rate proposal. E-mail comments may be directed to budget@eweb.org.

EXHIBIT 1

BEFORE THE EUGENE WATER & ELECTRIC BOARD

In the Matter of Consideration and Adoption of Budgets, Revised Charges for EWEB Electric and Water Service

NOTICE OF PUBLIC HEARINGS AND INVITATION TO COMMENT

1. Two dates are scheduled for public hearings to seek public comment regarding proposed 2014 budget approval and adjustments to EWEB water and electric rates. If approved, the proposed changes for residential, general service and other customers of the Eugene Water & Electric Board would become effective with utility billings rendered on or after February 1, 2014.

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

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

   Background information concerning the budget and rate proposals will be presented at each hearing, followed by opportunity for public testimony and comment.

3. Specific rate recommendations for each customer class may be obtained beginning October 29, 2013, or by calling EWEB's Fiscal Services Department at (541) 685-7688 or emailing budget@eweb.org Copies of the budget document and rate proposals will be made available at the public hearing.

4. Written public comments are also welcome and may be brought to the hearings or mailed to: EWEB Fiscal Services, P.O. Box 10148, Eugene, OR 97440. For timely consideration, written comments must be received prior to the public hearing on November 5, 2013.

   E-mail comments may be directed to: susan.fahey@eweb.org

II. BACKGROUND INFORMATION

A. Organizational Structure

The Eugene Water & Electric Board is responsible for providing electric and water service within the City of Eugene and certain outlying areas. The specific duties delegated to the Board pursuant to the Eugene City Charter are carried out by five elected Commissioners who serve without pay. The Commissioners and expiration dates of their respective terms of office are as follows:

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

As EWEB's primary policy and decision-making body, the individual Board members represent a broad range of professional experience and community perspectives on matters concerning local utility service. The Board meets regularly on the first Tuesday of each month. A second meeting is occasionally held on the third Tuesday of the month. All meetings are open to the public and provide opportunities for public participation.

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

Executive	Department
Roger Gray	General Manager

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

The utility's business priorities are reviewed annually by the Board, General Manager and a planning group made up of the leadership staff and other key personnel. Major organizational goals, strategic issues, opportunities, and planning contingencies for the coming year are then documented in the annual EWEB Strategic Plan. Each work unit derives from the Strategic Plan annual performance targets to address management priorities through ongoing work plans and schedules. The General Manager meets weekly with the Leadership Team members who hold regular meetings with their department staff to maintain employee productivity and efficient operations.

Figure 2

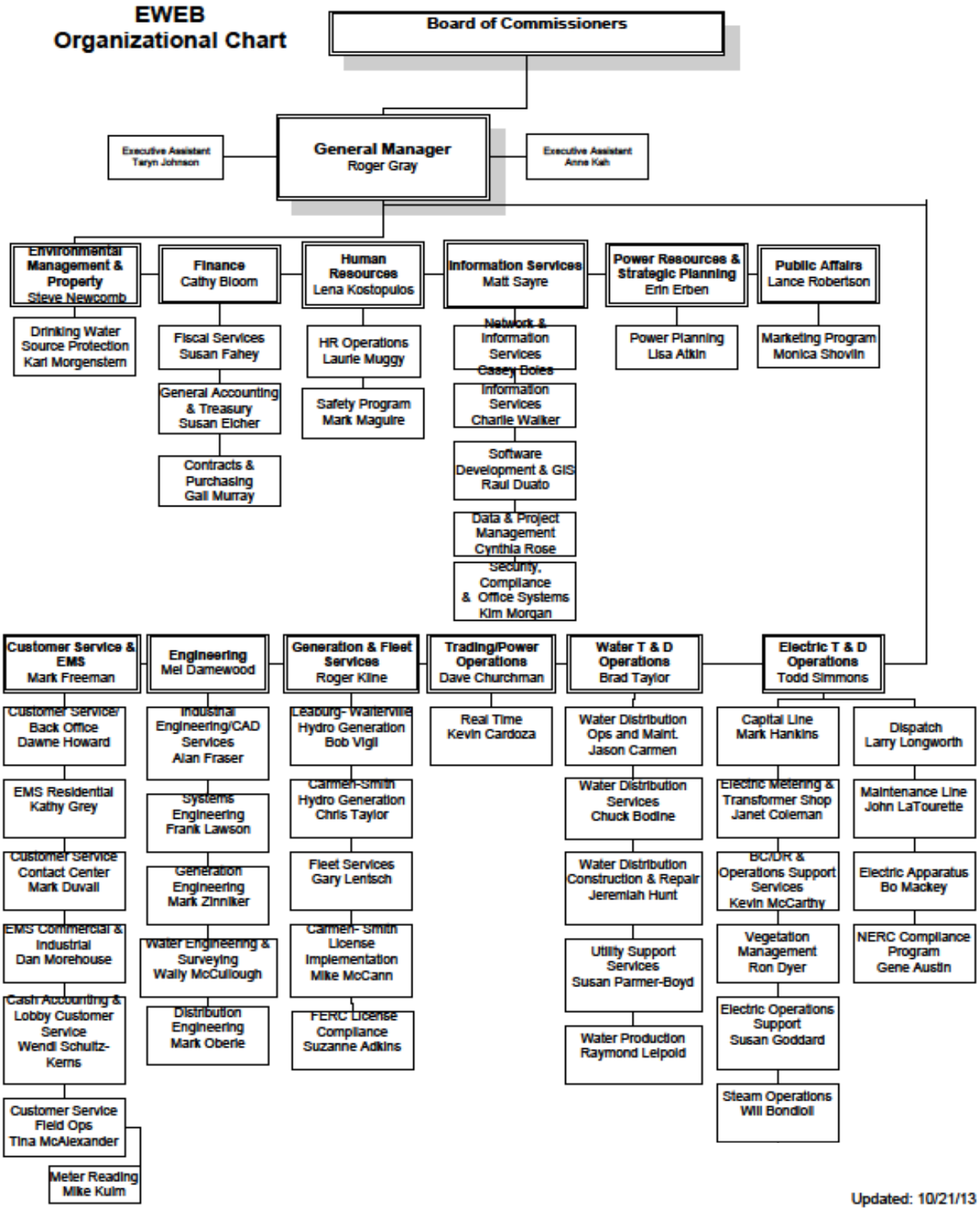

EWEB
Organizational Chart
Board of Commissioners
General Manager
Roger Gray
Executive Assistant
Taryn Johnson
Executive Assistant
Anne Kah
Environmental Management & Property
Steve Newcomb
Drinking Water Source Protection
Karl Morgenstern
Finance
Cathy Bloom
Fiscal Services
Susan Fahey
General Accounting & Treasury
Susan Eicher
Contracts & Purchasing
Gail Murray
Human Resources
Lena Kostopulos
HR Operations
Laurie Muggy
Safety Program
Mark Maguire
Information Services
Matt Sayre
Network & Information Services
Casey Boles
Information Services
Charlie Walker
Software Development & GIS
Raul Duato
Data & Project Management
Cynthia Rose
Security, Compliance & Office Systems
Kim Morgan
Power Resources & Strategic Planning
Erin Erben
Power Planning
Lisa Atkin
Public Affairs
Lance Robertson
Marketing Program
Monica Shovlin
Customer Service & EMS
Mark Freeman
Customer Service/ Back Office
Dawne Howard
EMS Residential
Kathy Grey
Customer Service Contact Center
Mark Duvall
EMS Commercial & Industrial
Dan Morehouse
Cash Accounting & Lobby Customer Service
Wendi Schultz-Kerns
Customer Service Field Ops
Tina McAlexander
Meter Reading
Mike Kulm
Engineering
Mel Damewood
Industrial Engineering/CAD Services
Alan Fraser
Systems Engineering
Frank Lawson
Generation Engineering
Mark Zinniker
Water Engineering & Surveying
Wally McCullough
Distribution Engineering
Mark Oberle
Generation & Fleet Services
Roger Kline
Leaburg- Walterville Hydro Generation
Bob Vigil
Carmen-Smith Hydro Generation
Chris Taylor
Fleet Services
Gary Lentsch
Carmen- Smith License Implementation
Mike McCann
FERC License Compliance
Suzanne Adkins
Trading/Power Operations
Dave Churchman
Real Time
Kevin Cardoza
Water T & D Operations
Brad Taylor
Water Distribution Ops and Maint.
Jason Carmen
Water Distribution Services
Chuck Bodine
Water Distribution Construction & Repair
Jeremiah Hunt
Utility Support Services
Susan Parmer-Boyd
Water Production
Raymond Leipold
Electric T & D Operations
Todd Simmons
Capital Line
Mark Hankins
Electric Metering & Transformer Shop
Janet Coleman
BC/DR & Operations Support Services
Kevin McCarthy
Vegetation Management
Ron Dyer
Electric Operations Support
Susan Goddard
Steam Operations
Will Bondioli
Dispatch
Larry Longworth
Maintenance Line
John LaTourette
Electric Apparatus
Bo Mackey
NERC Compliance Program
Gene Austin
Updated: 10/21/13

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

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

Year	Total Employees	% Change	Customer Count	% Change	mWh Sales	% Change
2003	447	-2.0%	82,300	0.9%	2,542,158	0.0%
2004	465	4.0%	83,100	1.0%	2,634,133	3.6%
2005	487	4.7%	84,100	1.2%	2,663,174	1.1%
2006	489	0.4%	85,400	1.5%	2,689,923	1.0%
2007	495	1.2%	86,600	1.4%	2,728,685	1.4%
2008	510	3.0%	86,700	0.1%	2,625,659	-3.8%
2009	538	5.5%	86,900	0.2%	2,406,878	-8.3%
2010	558	3.7%	87,200	0.3%	2,399,801	-0.3%
2011	562	0.7%	87,700	0.6%	2,414,476	0.6%
2012	532	-5.3%	89,000	1.5%	2,375,070	-1.6%

NOTE: The above figures are as of the end of each year.

EWEB places a high value on quality service and responsiveness to the needs of its customers. Because of its standards for reliability and design, electric service interruptions are infrequent and limited to short duration. EWEB also offers a variety of customer-oriented programs designed to provide information about utility services, promote efficient use of energy resources, and give assistance to customers if needed.

Feedback is invited in the recently completed Customer Survey Report where over 1,300 EWEB customers ranked the level of importance and performance satisfaction to core functions of the utility. The survey included questions designed to specifically determine customer spending priorities. The successful Customer Care program continues to assist restricted-income customers in paying their bills. Other feedback comes from the comment forms at the office lobby, on the back of monthly bills, and via online Ask Us. These and other activities reaffirm EWEB's longstanding commitment to the citizens of the Eugene community.

B. Electric System Highlights

EWEB is the largest publicly owned utility in the state of Oregon, the principal generating public utility in Oregon, and the sixth largest public agency customer of the Bonneville Power Administration. Founded by the citizens of Eugene in 1911, EWEB has remained a successful provider of essential utility services to the local community for over 100 years.

The 238-square-mile area now served by EWEB includes most of the City of Eugene and adjacent areas, including locations near municipally owned power projects at Walterville and Leaburg. EWEB's service area adjoins the City of Springfield municipal electric system on the east, the Emerald People's Utility District on the north, the Blachly-Lane Electric Cooperative on the west, and the Lane Electric Cooperative system on the south.

Current customers range in size from smaller residential and commercial customers, moderately sized processing and manufacturing facilities, to large institutional and industrial accounts. System load characteristics therefore vary throughout the year, with peak loads occurring in the winter months consistent with local weather patterns and electric space heating requirements.

EWEB's local electric system consists principally of six hydroelectric projects, an industrial cogeneration facility, and the necessary transmission and distribution facilities for provision of service to the end use consumers. EWEB currently maintains 36 substations which are networked together through 126 circuit miles of transmission lines and 1,115 circuit miles of primary distribution lines. EWEB also owns, operates and maintains remote generating facilities which include two hydroelectric projects interconnected to the interstate transmission grid through 37 miles of 115 kV transmission line and an industrial cogeneration and wind generation facility. The book value of the EWEB electric utility plant-in-service is approximately $685 million.

As Oregon's largest generating public utility, generating facilities have a combined nameplate rating of 263 megawatts (including the hydroelectric plants at Carmen-Smith, Leaburg, Walterville, Stone Creek, Smith Falls, a cogeneration facility at International Paper, and wind power generators at Foote Creek Rim, and other local projects), which is used to service annual retail and wholesale loads. Another source of supply is purchased through contracts with various generating public and private utilities and energy suppliers. The remaining portion of EWEB's firm power portfolio is obtained through long-term contracts with the Bonneville Power Administration, a federal power marketing agency.

Although EWEB's power supply costs have historically ranked fairly low nationally, recent proposed increases in BPA wholesale power rates and concern about future BPA rate stability have emphasized the need for continued resource planning. EWEB's Integrated Electric Resource Plan approved by the Board in 2012 relies on energy efficiency and demand response programs to meet future load growth.

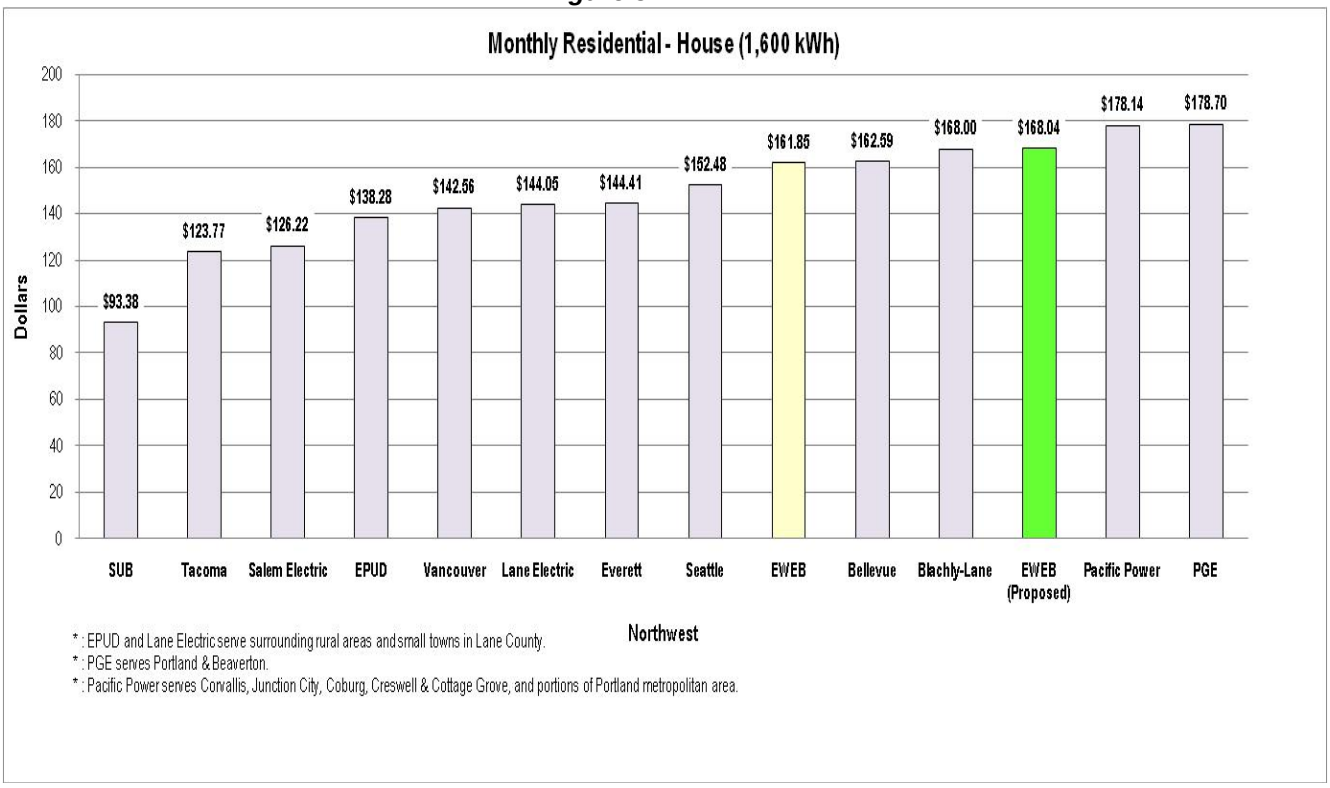
EWEB also plays a key role in the Pacific Northwest energy network and has often assumed leadership working directly with other federal and state planning agencies to prepare plans and proposals which will shape the Northwest's energy future.

C. Retail Rate Comparisons

A comparison of current monthly residential bills for selected Northwest communities is shown in *Figure 3*. Sample bills are calculated using EWEB's average monthly single family residence consumption of 1,600 kilowatt-hours. A bill of $161.85 for EWEB in the figure is calculated using the existing residential rate. Sample bills for the residential rate proposal are shown in *Table 8*.

Residential Bill Comparison

Figure 3



Proposed rates and the resulting bills from this proposal amount to $168.04 for monthly usage of 1,600 kilowatt-hours.

III. REVENUE REQUIREMENTS STUDY

This section contains a general description of EWEB's annual budgeting process. It also includes documentation of EWEB's 2014 proposed budget for operating and capital expenses and revenue requirements which has been designated as the test period for the current rate proposal. In addition to determining the overall percentage revenue increase needed to sustain operation of the electric utility, test period revenue requirements are a primary input to the Cost of Service Analysis (see Section V).

A. Preparation of Annual Budgets

At the beginning of each annual budget cycle, the utility's strategic priorities are identified by the Board, General Manager and a planning group made up of the leadership team and other key personnel. Major organizational goals, strategic issues, opportunities and planning contingencies are then documented in the EWEB Strategic Plan. The Strategic Plan drives specific performance targets to address management priorities through ongoing work assignments and schedules.

Beginning with the 2012 budget development, EWEB management and staff utilized a different approach starting with scenario based budgeting and moved to a priority based budgeting (PBB) approach for subsequent budget development. Given the financial challenges facing both the Electric and Water Utilities, this approach has served EWEB well in its effort to align budgets with EWEB's mission and strategic plan. For the 2013 budget, over 50 positions were eliminated, $4 million in non-labor operations and maintenance was cut and over $60 million in capital costs were deferred or eliminated.

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

After anticipated expenditures have been submitted and reviewed, the results are compiled and compared with historical costs and anticipated revenues for the budget period. When a budget deficit is apparent, efforts are made to reduce operating and capital expenses. If a budget deficit cannot be corrected through cost reductions or deferrals, the amount of the deficit becomes an additional revenue requirement recommended for recovery through an electric rate adjustment.

A draft budget with explanations on variances from prior years is then discussed with the EWEB Commissioners. The Board reviews the draft budget in detail and may suggest program adjustments and revisions. Public hearings are held to ensure customers have the opportunity to provide feedback. The Board approves a final budget in December which then becomes the operating plan for the next budget year.

All program managers are required to expend funds in a manner consistent with approved budget estimates. As individual projects are authorized, year-to-date balances are compared to projected budgets to ensure that costs continue to track as expected. Any significant deviations are brought to the attention of the Board for review in accordance with Board Policy EL-1. Year-end results are routinely checked against original budgets, with differences noted for potential input to the next year's budget cycle.

B. Test Period Revenue Requirements

EWEB has designated calendar year 2014 as the "test period" for development of electric system costs and revenues in this current rate proposal. This corresponds with the expenditures included in the 2014 Proposed Electric Budget.

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

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

Table 2
Electric System Revenue Requirements
For 2014 Rate Test Period

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

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

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

IV. SYSTEM LOAD AND SALES FORECAST

A. Overview of EWEB's Forecasting Process

EWEB routinely prepares both short- and long-range electric system load forecasts as part of its ongoing planning activities. Annual projections of total system electric loads are prepared by the Power Resources & Strategic Planning Department in conjunction with power resource scheduling and contracting functions. These annual forecasts employ both historical load data from EWEB records and projected economic, demographic and weather trends for the Eugene area. Other regional forecasts, such as BPA's 20-year Forecast of Electricity Consumption, are also reviewed for consistency and applicability to EWEB.

Basic growth projections for EWEB's system are developed through application of various forecasting methods, which include statistical trending, econometric analysis and end use models. Annual system forecasts are examined regularly and adjusted for changing local economic conditions and customer characteristics. The resulting base forecasts become a key input to energy resource planning, power scheduling, facilities design and preparation of annual budgets. They also become an integral part of the rate development process as a basis for allocation of operating costs and design of proposed rates for each customer class. Most recent forecasts indicate that electricity consumption in EWEB's service area is expected to remain flat over the next several years although actual growth may vary considerably from year to year due to changes in local weather patterns and commercial activity.

EWEB's annual electric load forecast was adopted directly as the basis for estimating total system sales for the current rate study. Specifically, the twelve month period from January through December 2014 was selected for analysis, corresponding with the test period budget and revenue requirements documented in Section III - Revenue Requirements Study. The remainder of this section describes how the system load and sales forecasts are applied to the development of retail rates, and the results obtained for 2014 test period.

B. Methodology and Procedures

In order to develop appropriate retail electric rates, EWEB's annual system forecast must be translated into a detailed projection of monthly energy sales and customer use characteristics for the upcoming rate period. This is done in a manner consistent with original forecast assumptions to arrive at a monthly estimate of customer counts, kilowatt-hour sales, and consumption patterns for each of EWEB's major customer classes.

The projection of monthly customer sales relies on historical data collected by EWEB's Fiscal Services Department from a number of internal sources. Monthly historical sales statistics are obtained from EWEB financial statements and accounting records. In addition, the Fiscal Services Department maintains a detailed record of customer billing statistics for each rate classification. Other local agencies are consulted as necessary for additional data pertinent to the forecasting of utility sales. Customer-specific data is also sought for major commercial/industrial users, since the short-run requirements of these customers are often related to particular business cycles rather than long-term trends.

Once the basic forecasting data is assembled, it is reviewed for consistency with recent historical trends, budget assumptions, and conditions expected to prevail over the rate test period. Such review ensures that the sales forecast used in the rate design process remains consistent with projections used to prepare purchased power budgets and the EWEB revenue requirements discussed in Section III. Minor adjustments were made to compensate for differences between calendar months and billing cycles during the rate period. Adjustments were also made to account for the system energy losses attributable to each customer class.

The next step in the forecasting process is to divide the total system forecast into component parts by month and rate class grouping. Customer sales statistics for the past three to ten years were used to calculate current class contribution to annual system sales and typical monthly distribution of consumption for each class.

Monthly projections for some classes, such as Street and Private Lighting, were calculated directly based on known load characteristics and seasonal traits. Customer-supplied estimates for larger commercial/industrial accounts were substituted for historical averages when it was reasonable to do so. The final projections were then correlated with available load research and engineering data for the EWEB system. The results were used to determine projected customer class contribution to system peaks, non-coincident peak loads and demand billing units.

C. 2014 Forecast Results

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

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

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

NOTE: Energy Sales does not include line loss.

The above information represents a small increase in EWEB customers by the end of 2014, which is compatible with trends over the past several years, vacancy rates and projected new service connections. The percentage of total EWEB sales represented by each customer class has remained stable for many years. Total electric sales for the period are forecast at 2.4 billion kilowatt-hours which is comparable to 2013.

The 2014 Load and Sales Forecast are used as a basis for cost allocation, rate design and revenue projections at current and proposed rates.

V. COST OF SERVICE ANALYSIS

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

A. EWEB's Cost of Service Standard

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

By resolutions on May 7, 1979 and on July 17, 2007, the EWEB Commissioners adopted specific policy guidelines and costing procedures for use by staff in the development of retail electric rates. In April of 1980 in concert with PURPA provisions, the Board also adopted the cost-of-service standard as the primary mechanism for rate development. As a practical matter, these formal resolutions only served to reaffirm EWEB's longstanding adherence to cost-based rate making.

B. Costing Methods and Procedures

EWEB's Cost of Service methodology uses standard electric utility costing procedures to allocate the test period revenue requirements to each customer class. The allocated costs reflect the contribution of each rate class to total system costs during the period for which rates are being developed. Study results also measure the equitability of rates charged to individual customer classes by testing the adequacy of revenues received relative to allocated costs of service.

Through this process, the Cost of Service study apportions the test period revenue deficiency as a basis for determining appropriate rate levels and percentage adjustments for each customer class. The study also derives unit costs used to assist in development of the actual energy, demand and basic charge components recommended for each electric rate schedule.

EWEB's Cost of Service study begins with a detailed assessment of utility proposed operating budget and revenue requirements for the upcoming rate period. The current analysis relies on anticipated electric system expenditures, retail sales and projected revenues contained in the 2014 Proposed Electric Utility Budget.

Once the total utility revenue requirement has been determined, individual line item costs are grouped according to major utility functions, such as power production, transmission, distribution, or customer accounting. Each line item expense is then classified as varying with contribution to monthly system peak demands, total energy consumption or number of customers for each rate class. Specific items are also identified for direct assignment when they are clearly associated with service to particular rate classes.

To more accurately assign costs to individual rate classes, EWEB's cost of service model also breaks down the various demand and customer costs into subcomponents. Demand-related costs are segregated into transmission, primary and secondary distribution components according to voltage level. Basic customer costs are sub-classified as either facilities or customer service related.

After classification and sub-classification, each cost category is distributed to one or more rate classes through a detailed allocation procedure. Several related analyses are conducted to develop the many allocation factors applied in this step. For example, calculating the class contribution to monthly system peaks and seasonal energy requirements involves a full examination of all customer loads during the test period. Accordingly, the allocation step relies on the sales projections and available load research data described in Section IV, System Load and Sales Forecast.

When all of the allocation factors have been developed, they are then applied to yield a segregation of total system costs assigned to the different rate classes. The final step is to combine the calculations in a summary table showing total allocated costs and recommended percentage adjustments for each customer class. These results can then be represented as unit costs, which form the basis for actual rate design.

Detailed information on specific proposed budget revenue requirements, functional categorization of expenses, and classification of expenses and allocation of the revenue requirement to customer classes is available upon request for the cost of duplication.

C. Cost of Service Summary

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

This $8.0 million deficit translates directly to a 4.0 percent overall average increase in required rate revenues during the test period. Proposed rates for individual customer classes, however, vary from this percentage to incorporate the results of the Cost of Service Analysis. COSA results by class are shown in *Table 4.*

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

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

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

(*) Excludes contract customers

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

Table 5
Unit Cost Calculations
(Normalized to Rate Structure)

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

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

VI. RATE RECOMMENDATIONS

The purpose of this section is to present staff's proposals for revisions to the rates and each of EWEB's published rate schedules. These recommendations have been developed on the basis of costs allocated to each rate class in the 2014 Cost of Service study as documented in the previous section. Proposed revenue requirements for each of EWEB's major customer classes are shown in the table below:

Table 6

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

Customer Class	Rate Schedule(s)	Revenue Requirement	Percent Difference
Residential	R-6	$104,899,958	4.5%
Small General Service	G-1	$17,585,882	7.3%
Medium General Service	G-2	$42,160,074	6.9%
Large General Service	G-3	$16,402,139	2.2%
Very Large General Service	G-4	$720,320	-1.4%
Contract A	N/A	$18,813,085	N/A
Contract C	N/A	$3,637,794	6.5%
Contract D	N/A	$3,924,848	3.8%
Street Lighting	J-3, J-4	$1,010,934	1.5%
Private Lighting	L-3	$117,305	3.3%
Overall Change	N/A	$209,272,339	4.0%

Rates were developed in accordance with EWEB's rate design objectives, to recover the costs allocated to each customer class. Consideration was given to the various elements of each rate schedule to ensure that the schedules are consistent with each class' share of allocated demand, energy and customer costs. In addition, these proposals reflect other legitimate rate making objectives, such as stability of rates, equity to customers within a class and proper price signals in keeping with EWEB's average and marginal costs.

The following subsections briefly describe pertinent issues for the design of charges in each published rate schedule. Tables showing projected billing units, current and proposed rates, and projected revenues follow each subsection, with a summary of anticipated customer impacts.

A. Residential Service (Schedule R-6)

Residential customers are served under EWEB's Schedule R-6, which applies to single family and smaller multifamily dwellings. This rate schedule consists of a fixed monthly customer charge with a tiered energy rate applied to all monthly metered consumption. Currently, 79,100 residential customers are served under this schedule.

In this proposal, the basic charge would increase to $13.50 per month. The delivery rate would increase approximately 0.1 percent. The charges for tier 1 energy rates reflect would increase for both Summer and Winter and tiers 2 and 3 would have a small decrease as shown below in *Table 7*.
The summer season consists of the months May through October, while the Winter season applies to the months November through April. The proposed rates are shown in *Table 7*.

Table 7
Residential Service
Existing vs. Proposed Rates

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

With this tiered rate structure, the Summer and Winter periods for the first 800 kWh are priced the same. This amount of consumption approximates the basic household uses, excluding heating and air-conditioning loads. The third block attempts to capture only the top five percent of total class consumption. The second block price is designed to capture the remaining required revenue for this class of customers.

The effect of this rate design increases bills for virtually all customers. The overall average for the class is an increase of 4.5 percent. The proposal is intended to strike a balance between EWEB's cost recovery objectives, maintenance of positive customer relations, compliance with the Board's rate stabilization policy, and a desire to encourage efficient use of electricity.

A monthly bill comparison at various usage levels for existing vs. proposed rates can be found in *Table 8*.

Table 8

Residential Rate & Monthly Bill Comparison
Existing vs. Proposed Rates

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

B. Small General Service (Schedule G-1)

The Small General Service schedule consists of accounts with monthly billing demands from 0 to 30 kW. Customers are assigned to this class based on an average of the three highest demands in the prior 12 months falling below 30 kW.

There are 7,700 commercial and industrial customers presently served in the demand range for Small General Service (Schedule G-1). This rate typically applies to non-residential accounts for service at secondary distribution voltages of 480 volts or less. Under the General Service schedule, EWEB provides all distribution and service facilities necessary to meet the power requirements of the customer.

The form of the Small General Service rate is similar to the Residential schedule in that both contain a basic charge, a delivery charge and a power charge. It varies from the Residential rate structure, in that it includes a demand charge (based on the customer's peak load during the month), a flat energy charge, and a two-step delivery charge. Under the General Service rate, these costs are separate rate components and are additive in computing the bill.

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

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

Table 9

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

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

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Table 10

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

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

C. Medium General Service (Schedule G-2)

The Medium General Service Schedule consists of accounts with monthly billing demands between 31 and 500 kW. Customers are assigned to the class based on an average of the three highest demands in the last 12 months falling between 31 and 500 kW.

There are 1,800 commercial and industrial customers presently served in the demand range for Medium General Service (Schedule G-2). This rate typically applies to non-residential accounts for service at secondary distribution voltages of 480 volts and primary voltages of up to 12.47 kilovolts. Under the General Service schedule, EWEB provides all distribution and service facilities necessary to meet the power requirements of the customer at the delivered voltage.

Similar to the Small General Service rate, the proposed form of the Medium General Service rate also includes a basic charge, a demand charge (based on the customer's peak load during the month), and a power charge.

In addition to the standard or "secondary" Medium General Service rate, EWEB offers an alternative rate to larger qualifying customers. The Primary Service Power rate is available to any commercial or industrial customer located outside the underground secondary network who:

1) receives single-point delivery at primary distribution voltages of 12.47 kV or greater,

2) is willing to contract for and pay for a minimum of 300 kilowatts of demand per month, and

3) is willing to provide, own, install and maintain all necessary transformers, cutouts, protection equipment, primary metering enclosures, and all distribution facilities beyond the point of delivery.

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

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

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

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

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Rate and Monthly Bill Comparison

Table 12

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

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

D. Large General Service (Schedule G-3)

The Large General Service class consists of accounts with monthly billed demands greater than 501 kW but less than 10,000 kW. Customers are assigned to the class based on an average of the three highest demands in the last 12 months falling between 501 - 10,000 kW.

There are approximately 60 commercial, industrial, and public agency customers presently served in the demand range for Large General Service rate (Schedule G-3). This rate typically applies to non-residential accounts for service at secondary distribution voltages of 480 volts and primary voltages of up to 12.47 kilovolts. Under the General Service schedule, EWEB provides all distribution and service facilities necessary to meet the power requirements of the customer at the delivered voltage.

In addition to the "secondary" Large General Service rate, EWEB offers an alternative commercial rate to larger qualifying customers. The Primary Service Power rate is available to any commercial or industrial customer located outside the underground secondary network who:

1) receives single-point delivery at primary distribution voltages of 12.47 kV or greater,

2) is willing to contract for and pay for a minimum of 300 kilowatts of demand per month, and

3) is willing to provide, own, install and maintain all necessary transformers, cutouts, protection equipment, primary metering enclosures, and all distribution facilities beyond the point of delivery.

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

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

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

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

EUGENE WATER & ELECTRIC BOARD
Rate and Monthly Bill Comparison

Table 14

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

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

E. Very Large General Service (Schedule G-4) (For Service in excess of 10,000 kW without a Contract)

This service is available to very large general service loads over 10,000 kilowatts of demand, or customers classified as "New Large Single Load" by the Bonneville Power Administration that are not presently covered under a power sales agreement with EWEB.

Under staff's proposal, the basic charges for Large General Service would decrease from $2,717 to $2,679 per month for a secondary customer and from $2,645 to $2,608 per month for a primary customer. The secondary and primary demand charges would decrease from $7.17 to $7.07 per kW for secondary and from $6.97 to $6.87 for primary. Secondary and primary energy charges would decrease for secondary customers from $0.06517 to $0.06426 per kWh and for primary customer would decrease from $0.06517 to $0.06426 per kWh.

The overall decrease proposed for this customer class is 1.4 percent.

F. Customer-Owned Street Lighting (Schedule J-3, J-4)

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

Proposed street lighting rates do not include any direct costs for installation or maintenance of customer-owned fixtures. The proposed rate schedules recover only costs for energy and associated costs necessary to operate the customer's lighting equipment which meets the Board's specifications. This practice is appropriate because ongoing maintenance tasks are now the responsibility of the other agencies.

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

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

There are approximately 11,400 street lights served on the EWEB system. It is estimated that agency streetlights will consume 9.1 million kilowatt-hours during 2014. This estimate is based on the wattage rating of each individual lighting fixture and the total number of nighttime hours per year. The proposed agency lighting rates reflect allocated customer, demand and energy costs by fixture type, consistent with available engineering data. Rates for Schedules J-3 and J-4 are designed to produce a 1.5 percent increase in agency lighting revenues, in accordance with the 2014 Cost of Service study results.

G. Private Property Lighting Service (Schedule L-3, L-4)

EWEB also offers lighting service to individuals and businesses to provide overhead outdoor lighting for private property from dusk to dawn each day throughout the year. All equipment used to furnish service under this schedule is installed, owned, operated and maintained by EWEB.

There are presently about 1,600 private security lights comprised of various lamp sizes on the EWEB system. It is estimated that these lights will consume about 702,000 kWh during the 12-month test period. In addition to collecting energy revenue, the rates presently in effect for private security lighting are designed to amortize capital costs and to provide for depreciation, funds for fixture replacement, maintenance, regular lamp washing, and lamp replacement.

Cost of Service results show the need for an overall 3.3 percent increase in lighting rates. Recommended charges for Private Property Lighting Service are based on the wattage rating and cost characteristics of each lamp size. Where there is a EWEB pole dedicated for private lighting there is a $1.00 per month pole rental charge.

In 2006, a new rate schedule was added, Schedule L-4, Private Property Lighting Service. The schedule accommodates the gradual transition of L-3 private lights to high-efficiency, low-diffusion, high pressure sodium (HPS) lights, in accordance with standards mandated by Eugene City Code, Section 9.6725. Schedule L-3 is closed to new services, and is being phased out.

H. Business Growth and Retention Rate Rider (BGR-1) (For Service from 200 kW to 10,000 kW of new or incremental demand)

1. Applicable

This Rider is applicable as an addendum to the otherwise applicable electric rate schedule for qualified customers locating or expanding service on EWEB's transmission and/or distribution system(s). New or existing General Service customers who add at least 200 kilowatts (kW) of billing demand may qualify. Service is applicable to customers with the average of the three highest monthly kW demands in a 12-month rolling period falling between 200 and 10,000 kilowatts of either new or incremental demand. Customers taking service must first be approved for participation in EWEB Business Growth & Retention Program.

2. Rate

The BGR-1 shall be calculated by subtracting the monthly average ICE Mid-C Daily Settled Index price from the customer's average applicable retail energy (kWh) rate to establish the retail/wholesale market differential. The monthly retail/wholesale market differential is allocated to the customer as an incentive rate. The split is 50/50 in the first year, 60 (EWEB)/40 (customer) in the second year; and 80 (EWEB) /20 (customer) in the third year.

The BGR-1 is applied to the new or incremental energy (kWh) use only. The credit is based on a look back calculation for all energy consumed above the baseline and credited to the bill no less frequently than every six months. The BGR credit will not be paid for any billing period that customer fails to meet 200 kW minimum additional demand.

3. Contract

Service under this schedule is provided under a three-year, signed agreement.

4. Start Date

The start date of the incentive rate period shall commence within 24 months from the date of execution of the contract for service and shall be designated by the customer within the BGRR agreement. (*This 24 month period is to accommodate construction prior to full operation.)*

5. Metering

Separate electric metering for new or additional load may be required if, in EWEB's sole opinion, it is necessary to provide service under this schedule. The customer will be responsible for any costs associated with providing separate electric metering.