

## **EWEB Board Consent Calendar Request**

*For Contract Awards, Renewals, and Increases*

The Board is being asked to authorize General Manager Frank Lawson to approve a new contract for the **College Hill Storage Tanks – Demolition and Earthwork**.

Board Meeting Date: June 4, 2024  
Project Name/Contract #: College Hill Storage Tanks – Demolition and Earthwork / 24-111-PW  
Manager: Mike Masters Ext. 7549  
Executive Officer: Karen Kelley Ext. 7153

### **Contract Amount:**

Original Contract Amount: \$5.5 to \$6.4 million (Range between 3 offers)  
Additional \$ Previously Approved: \$0  
Spend over last approval: \$0  
Amount this Request: \$5.5 to \$6.4 million  
% Increase over last approval: NA  
Resulting Cumulative Total: **\$5.5 to \$6.4 million**

### **Contracting Method:**

Method of Solicitation: Formal Invitation to Bid  
If applicable, basis for exemption: NA  
Term of Agreement: Completion by March 1, 2025  
Option to Renew? No  
Approval for purchases “as needed”: Yes  No   
Proposals/Bids Received (Range): 3 responses – (\$5,487,578 - \$6,393,992)  
Selection Basis: Lowest Responsive and Responsible Bidder  
Narrative:

### Operational Requirement and Alignment with Strategic Plan

The Board is being asked to authorize General Manager Frank Lawson to approve a construction contract for demolition and excavation services at the College Hill Storage Tanks site. The work is being done to facilitate the construction of two new 7.5 million gallon seismically resilient water storage tanks. These are the second set of tanks to be constructed as part of the Distributed Water Storage Approach developed in the 2015 Water System Master Plan. The new storage tanks will be part of a more resilient storage system for the water utility.

EWEB contracted with Historical Research Associates, Cameron McCarthy, Consor North America, and FEI, Inc. to work as part of a team to provide historic mitigation, landscape architecture, and engineering design and construction services for the two new tanks.

### Contracted Goods or Services

This contract will include demolition of the two existing reservoirs, 44,600 cubic yards of rock removal including controlled drilling and blasting, hauling of material and associated traffic control, and sediment and erosion

control. The contract includes all required safety measures for controlled drilling and blasting including pre-blasting and post-blasting inspection and vibration monitoring services. This work is necessary to prepare the subgrade for the new tanks. The work will be completed in Q1 2025.

Staff anticipates that there will be two additional construction contracts in the next two years: one for tank and associated site, transmission, and drain piping construction, and a second for site restoration and landscaping.

Purchasing Process

Staff issued a formal Invitation to Bid in May 2024. The solicitation was publicly advertised on the State of Oregon procurement site, Oregon Buys, and in the Portland Business Tribune. Three (3) bids were received and at the time of submission of this consent calendar request, the lowest responsive and responsible bid is in dispute.

Proposals/Bids Received

Vendor Name	City, State	Offered Price
Delta Construction Co.	Eugene, OR	\$5,487,578
Pacific Excavation, Inc	Eugene, OR	\$5,681,560
Wildish Construction	Eugene, OR	\$6,393,992

**ACTION REQUESTED:**

Management requests the Board authorize General Manager Frank Lawson to approve a contract for the College Hill Storage Tanks – Demolition and Earthwork. Approximately \$34 million has been included in the Water 5 Year Capital Plan for construction of both tanks including excavation services. Variances will be managed within the budget process and Board policy.

## EWEB Board Consent Calendar Request

*For Contract Awards, Renewals, and Increases*

The Board is being asked to approve the use of additional funding under the existing Memorandum of Agreement to support the **McKenzie River Trust** in the **Acquisition and Management of an additional 644-acres adjacent to the existing Finn Rock Reach Conservation Area.**

Board Meeting Date: June 4, 2024  
Project Name/Contract #: Acquisition and Management of Quartz Creek Property / 21-052-A  
Manager: Mike Masters Ext. 7549  
Primary Contact: Karen Kelley Ext. 7153

### Contract Amount:

Original Contract Amount: \$1.5 million (Board approved April 6, 2021)  
Additional \$ Previously Approved: NA  
Spend over last approval: NA  
Amount this Request: \$400,000  
% Increase over last approval: 26.7%  
Resulting Cumulative Total: **\$1.9 million**

### Contracting Method:

Method of Solicitation: Grant to Facilitate Property Acquisition  
If applicable, basis for exemption: Exemption - EWEB Rule 6-0110  
Term of Agreement: April 2021 – December 2026  
Option to Renew? No  
Approval for purchases “as needed”: Yes  No   
Proposals/Bids Received (Range): NA  
Selection Basis: Direct Negotiation – Memorandum of Agreement (MOA)

### Narrative:

#### Operational Requirement and Alignment with Strategic Plan

The McKenzie River is the sole source of drinking water for more than 200,000 people in Eugene and surrounding communities. In 2001, EWEB implemented a comprehensive drinking water source protection program to safeguard this critical water resource for current and future generations. On July 5, 2022, in an executive session, the Board discussed financial support for stewardship and restoration of the 644-acre Finn Rock Phase 2 property. The current agreement 21-052-A with MRT is to cost share \$3 million at 50% for each entity for floodway property acquisitions on both sides of the McKenzie River after the Holiday Farm Fire, this is to restore and improve the riparian floodplain natural resource values. To date, \$1,232,000 of the \$1,500,000 of the Agreement has been expended; therefore, the Board is being asked to approve an additional amount of \$400,000 to add to the remaining funds to complete this purchase with McKenzie River Trust. This purchase is focused on floodway acquisitions of destroyed homesites and presents an opportunity to expand stewardship and restoration of the Finn Rock Reach conservation area located near Blue River.

The McKenzie River Trust (MRT) appears successful in its bid for the 644-acre property through an unsolicited offer to the current landowner, **which is scheduled to close on June 28, 2024.** This property contains floodplain

forest with extensive wetlands in Quartz and Ennis Creek confluence areas, braided side channels, upland forest, and the mainstem McKenzie River flowing through portions of it. The acquisition also includes burned upland forests that can be converted from industrial timber use to conservation forest management to sequester carbon in partnership with the University of Oregon. This section of the McKenzie River provides spawning habitat for Chinook salmon, foraging habitat for Bull trout, and is a stronghold for native *Redside* rainbow trout. Interior forests are diverse and include impressive stands of cottonwood, Big-leaf maple, and cedar. By acquiring the property, the Trust will remove 2 residences located on the McKenzie and bring two other homes under conservation ownership. Adding these parcels to the current Finn Rock Reach conservation area will facilitate floodplain restoration work in Quartz and Ennis Creek confluence areas and helps ensure both significant fish and wildlife habitat conservation and protection of Eugene’s drinking water source.

Contracted Goods or Services

The McKenzie River Trust will own and manage this additional 644-acres as part of the expanded Finn Rock Reach conservation area. EWEB will work with MRT on the potential to develop a carbon sequestration project, which if successful will be captured under a separate agreement for future Board approval.

Purchasing Process

Under the existing Agreement with MRT, nine floodway tax lots associated with destroyed homesites have been acquired to date resulting in removal of foundations, septic systems, driveways and other infrastructure to allow for restoration of the floodplain. MRT matches EWEB investments dollar for dollar. In the Finn Rock Reach Phase 2 acquisition, EWEB’s \$650,000 is being matched by \$1.42 million in other funding.

Bonneville Power Administration: \$1,180,000

Land Trust Alliance: \$167,000

McKenzie River Trust: \$73,000

EWEB: \$650,000

**ACTION REQUESTED:**

Management requests the Board approve the use of additional funding under the current MRT Agreement for acquisition of 644-acres to expand the Finn Rock Reach conservation area. Approximately \$650,000 was planned for this purchase in the Watershed Recovery/Department 378 2024 budget of \$2.32 million. Variances will be managed within the budget process and Board policy.

## **EWEB Board Consent Calendar Request**

*For Contract Awards, Renewals, and Increases*

The Board is being asked to approve a **Construction Task Order with Wildish Building Company** for construction services for the **Reconstruction of Smith Reservoir Recreation Area**.

Board Meeting Date: June 4, 2024  
Project Name/Contract #: Smith Reservoir Recreation Area - CTO #29, CM/GC 002-2011  
Manager: Lisa Krentz Ext. 7450  
Executive Officer: Karen Kelley Ext. 7153

### **Contract Amount:**

Original Contract Amount: \$1.7 million  
Additional \$ Previously Approved: \$0  
Spend over last approval: \$0  
Amount this Request: \$1.7 million  
% Increase over last approval: NA  
Resulting Cumulative Total: **\$1.7 million**

### **Contracting Method:**

Method of Solicitation: CM/GC Guaranteed Maximum Price  
If applicable, basis for exemption: NA  
Term of Agreement: Final Completion - October 2025  
Option to Renew? No  
Approval for purchases "as needed": Yes  No   
Proposals/Bids Received (Range): NA  
Selection Basis: Guaranteed Maximum Price

### **Narrative:**

#### Operational Requirement and Alignment with Strategic Plan

The Board is being asked to approve Construction Task Order (CTO) #29 of the CM/GC Contract (002-2011) with Wildish Building Company of Eugene, Oregon to reconstruct the Smith Reservoir Recreation Area and Lakes End Campground. This CTO #29 implements two required projects of the operating license for the Carmen-Smith Project, and the *Amended and Restated Settlement Agreement*, and directly aligns with the Strategic Plan initiatives related to cost improvement and safe and reliable delivery of services, as well as Organizational Goal #2 - Compliance Adherence. This work provides the necessary rehabilitation of both sites in anticipation of reopening the recreation areas to the public for the 2026 camping season.

#### Contracted Goods or Services

This project includes the furnishing of the labor, materials, and equipment to complete construction and provide construction management services from Wildish Building Company for the Smith Reservoir Recreation Area and Lakes End Campground, including compliance with environmental permits.

Major work tasks will include:

1. Rehabilitate Smith Reservoir Day Use Area - Work includes adding picnic areas, a covered shelter to the day use area, and replacing restrooms.
2. Smith Reservoir Boat Ramp - Rehabilitate the Boat Ramp to accommodate lower reservoir levels.
3. Smith Reservoir Shoreline Trail - Develop a fishing trail system up to 0.5-miles in length, along the east shoreline of Smith Reservoir connecting the boat ramp to fishing nodes/wildlife observation points and to move foot thru-traffic further from the reservoir shoreline.
4. Lakes End Campground - Rehabilitate the Lakes End Campground to include establishing 3 boat take out/put in areas, establishing pathways, replacing the restroom facilities with composting restrooms, replacing campground amenities, and grading for drainage. Lakes End Campground work is especially challenging as all material and equipment must be transported to the campground via barge.

#### Purchasing Process

Contract 002-2011 with Wildish Building Company was procured through a competitive process in accordance with EWEB policies and Oregon public procurement rules for alternative procurements. Amendments for pre-construction work and Task Orders for construction projects are negotiated separately.

Bid review and negotiations for the guaranteed maximum price for this construction Task Order was completed on May 15, 2024.

Per the Board's approval of the general CM/GC contract and subsequent amendments, Wildish is required to competitively procure and subcontract for major portions of the total contract. Wildish solicited public bids for all major portions of the work (Advertised April 19, 2024) consistent with the CM/GC contract and Oregon public procurement Rules. Wildish prepared a Guaranteed Maximum Price in accordance with the CM/GC contract.

#### **ACTION REQUESTED:**

Management requests the Board approve Construction Task Order #29 of the CM/GC contract with Wildish Building Company, for the Guaranteed Maximum Price of \$1,703,192. \$971,000 was planned for this work in the Carmen-Smith License Deployment Department 2024 budget of \$ 24.25 million. Following the budgeting process, the design engineer provided a construction estimate of \$3 million for the project. Variances will be managed within the budget process and Board policy.



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

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TO: Commissioners McRae, Barofsky, Schlossberg, Brown, and Carlson  
FROM: Deborah Hart, Assistant General Manager/CFO; Aaron Balmer, Acting Financial Services Manager; Rob Freytag, General Accounting & Treasury Supervisor; and Matthew Miller, Accounting Analyst Lead  
DATE: May 29, 2024  
SUBJECT: Reserve Fund Status and Transfers/Use of Reserves  
OBJECTIVE: Board Action

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## **Issue**

Annually the Board considers how to allocate funds as of December 31 among reserve and designated fund accounts after the independent auditors issue their opinion on the financial audit. This memo provides recommendations for transfers based on EWEB's long term financial plans, financial policies, and the Electric and Water Utilities' financial conditions.

## **Background**

On an annual basis, staff prepare a summary of the year-end reserve balances, compare the balances to the Board Financial Policy targets, and recommend transfers and/or uses of funds above target. Additionally, staff review targets to ensure they are reasonable to cover the intended risks. As of December 31, 2023, both the Electric and Water Utilities' cash balances were above target, with exception of the Electric and Water Capital Improvement Reserves. In addition, targets were evaluated for adequacy, and debt service coverage requirements were met for the year.

Staff presented recommendations to reserve targets and transfers at the May meeting. Proposed resolutions are consistent with Board direction and staff recommendation from the May presentation.

## **Discussion**

### **Water Utility**

Since the creation of the 2024 budget, the Water Utility finished 2023 with notable progress on significant capital projects. Spending to support capital efforts exceeded budget projections from earlier in the fall and the primary recommended transfer for the Water Utility is to reposition reserves to support budgeted funding designations.

### **Working Cash**

Management recommends the following transfers from Working Cash:

- \$3,700,000 to the Capital Improvement Reserve
- \$140,000 to the Pension & Post Retirement Medical Fund

Working Cash would remain \$1.4 million above target as of 12/31/2023.

### **Capital Improvement Reserve**

Financial Policy benchmarks the Capital Improvement Reserve target to annual depreciation expense. 2023 depreciation expense was \$8.7 million, and management recommends increasing the

target to \$9.0 million to correspond. A \$3.7 million transfer from Working Cash is recommended to move the balance above target and align with budget expectations to draw on reserves as a funding source for 2024 capital projects.

### **Pension & Post-Retirement Medical Fund**

Board Financial Policy states that in years where there is a difference between the PERS ordered contribution rate and the amount provided for in the annual budget, the excess amount will be set aside in a Board reserve for reduction of unfunded retirement liabilities in the future. PERS costs during 2023 were lower than budgeted by \$140,000. Board Financial Policies require the variance to be transferred to this fund.

### **Rate Stabilization Fund**

The Rate Stabilization Fund is intended to enhance the Utility's agility during financial challenges and minimize or smooth rate impacts to customers. Under existing bond covenants, deposits to the fund reduce the Debt Service Coverage ratio, while withdrawals increase the ratio. Funds may be used for one-time expenses and emergent items to be allocated based on the Board's direction.

The 2024 adopted budget included a draw of \$7.3 million from Rate Stabilization Funds to fund capital projects. Accordingly, Management recommends the following transfer from the Rate Stabilization Fund:

- \$7,320,000 to the Capital Improvement Reserve

### **Electric Utility**

Funding sources identified in the 2023 Electric Utility budget included bond proceeds that would have required a bond issuance in 2023. Due to positive operating performance in 2022, the Electric Utility deferred the Electric Utility bond issuance to 2024. As such, 2023 capital activity resulted in the capital improvement reserve ending the year below target. The primary transfer recommendation for the Electric Utility is intended to reposition reserves to support capital investments in the 2024 budget.

### **Working Cash**

The working cash target is based on the amount of cash needed to pay for ongoing operational expenditures and maintain an amount of working capital to support the day's cash ratio sufficient to maintain higher than average credit rating (>150 days). Management evaluates the working cash target annually and is recommending an increase to \$45 million to support >150 days cash metric.

Management recommends the following transfers from Working Cash:

- \$13,000,000 to the Capital Improvement Reserve
- \$2,000,000 to the Power Reserve Fund
- \$109,000 to the Pension & Post Retirement Medical Fund

The resulting balance would be \$4.6 million above target as of 12/31/2023, and \$1.6 million above the new recommended target. In Q1 2024 cash decreased due to the impacts of the January ice storm, as well as poor operating performance due to milder temperatures over the winter months. Q1 results show working cash falling below target after recommended transfers are made. FEMA public assistance grants will reimburse up to 75% of the restoration costs from the ice storm, however those funds are not expected before year end.

### **Capital Improvement Reserve**

Per Financial Policy, the Capital Improvement Reserve target is benchmarked to annual depreciation expense. Management recommends increasing the target by \$1 million to \$26.0 million to account for a meter replacement reserve and rising depreciation expense. At December 31, 2023, this fund was below target. Management is recommending a transfer from working cash of \$13.0 million to bring the reserve back up to target.



### **Power Reserve**

The level of funding for this reserve is evaluated annually. In determining the sufficiency of this reserve, risks from prices, loads, resources, and credit exposure are considered. Based on the analysis, Management is recommending an increase to the Power Reserve target of \$2.0 million primarily due to price risks. Wholesale power prices have remained relatively high and volatile and have increased the value of generation within the Utility's portfolio. Accordingly, this dynamic has increased the potential loss of value the Utility could experience in the event of lower generation. Increasing the reserve will help guard against potential negative price movement that could occur as the market experiences greater volatility. A corresponding transfer of \$2.0 million is recommended from Working Cash to the Power Reserves to achieve the proposed target balance of \$25 million.

### **Pension & Post-Retirement Medical Fund**

2023 PERS costs were lower than budgeted by \$109,000. Board Financial Policies require the variance to be transferred to this fund.

### **Rate Stabilization Fund**

Funds above target in the Electric Rate Stabilization Fund have been modeled as a funding source for capital projects in the long-term financial plan and will help reduce future borrowing. Funds may be used for one-time expenses and emergent items to be allocated based on the Board's direction.

The 2024 adopted budget included a draw of \$9.3 million from Rate Stabilization Funds for capital project funding. Accordingly, Management recommends the following transfer from the Rate Stabilization Fund:

- \$9,336,000 to the Capital Improvement Reserve

### **Leaburg Reserve**

As part of the planning process in 2023, the Board directed the establishment of a Leaburg Reserve to fund costs related to the Leaburg decommissioning project. Revenue requirements specific to Leaburg will be transferred on a monthly basis to increase the reserve, while costs specific to the decommissioning project will reduce the reserve. The 2024 budget anticipates a net deposit to the Leaburg reserve of \$4.2 million over the course of the year. With movement of funds directed in the scope of the 2024 adopted budget, no transfers are requested as part of this agenda item.

### **Recommendation and Requested Board Action**

Management requests approval of Resolution No. 2407 and No. 2408, authorizing reserve transfers and revisions to the financial policies. Attachments 1 and 2 provide detail on reserve balances and recommended transfers for the Water and Electric Utilities, respectively.

Attachment 1 – Water Utility Schedule of Cash Reserves

Attachment 2 – Electric Utility Schedule of Cash Reserves

Attachment 3 – Blackline Financial Policy

Attachment 1

**Water Utility Schedule of Cash Reserves**

	FINANCIAL POLICY		BALANCE	USE OF	BALANCE
	REFERENCE	TARGET	12/31/23	CASH	AFTER
Working Cash	Rate Sufficiency	\$ 3,400,000	\$ 8,624,402	\$ (3,840,000)	\$ 4,784,402
<b><u>DESIGNATED FUNDS</u></b>					
Operating Reserve	Rate Stability	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000
Self-Insurance Reserve	Rate Stability	280,000	280,000	-	280,000
Capital Improvement Reserve	Capital Reserve	8,000,000	5,399,322	11,020,000	16,419,322
Rate Stabilization Fund	Rate Stability	1,000,000	15,300,000	(7,320,000)	7,980,000
Water Stewardship Fund- Septic Repairs		-	83,718	-	83,718
Alternate Water Supply Fund		-	3,651,958	-	3,651,958
Pension & Post Retirement Medical Fund		-	699,000	140,000	839,000
<b>DESIGNATED FUNDS TOTAL</b>		<b>\$ 10,280,000</b>	<b>\$ 26,413,998</b>	<b>\$ 3,840,000</b>	<b>\$ 30,253,998</b>
<b>CASH &amp; DESIGNATED FUNDS TOTAL</b>		<b>\$ 13,680,000</b>	<b>\$ 35,038,399</b>	<b>\$ -</b>	<b>\$ 35,038,399</b>
<b><u>RESTRICTED FUNDS</u></b>					
Construction Funds		\$ -	\$ 35,645,436	\$ -	\$ 35,645,436
SDC Reserves		-	174,538	-	174,538
Debt Service Reserves		-	1,588,104	-	1,588,104
<b>RESTRICTED FUNDS TOTAL</b>		<b>\$ -</b>	<b>\$ 37,408,079</b>	<b>\$ -</b>	<b>\$ 37,408,079</b>
Recommended Target Changes:	Current	Recommended			
Capital Improvement Reserve	\$8,000,000	\$9,000,000			

**Attachment 2**

**Electric Utility Schedule of Cash Reserves**

	FINANCIAL POLICY		BALANCE	USE OF	BALANCE
	REFERENCE	TARGET	12/31/23	CASH	AFTER
Working Cash	Rate Sufficiency	\$ 42,000,000	\$ 61,734,392	\$ (15,109,000)	\$ 46,625,392
<b>DESIGNATED FUNDS</b>					
Operating Reserve	Rate Stability	\$ 4,000,000	\$ 4,000,000	\$ -	\$ 4,000,000
Self-Insurance Reserve	Rate Stability	1,720,000	1,720,000	-	1,720,000
Power Reserve	Rate Stability	23,000,000	23,000,000	2,000,000	25,000,000
Capital Improvement Reserve	Capital Reserve	25,000,000	12,569,401	22,336,000	34,905,401
Rate Stabilization Fund	Rate Stability	5,000,000	26,668,927	(9,336,000)	17,332,927
Pension & Post Retirement Medical Fund		-	1,446,000	109,000	1,555,000
<b>DESIGNATED FUNDS TOTAL</b>		<b>\$ 58,720,000</b>	<b>\$ 69,404,328</b>	<b>\$ 15,109,000</b>	<b>\$ 84,513,328</b>
<b>CASH &amp; DESIGNATED FUNDS TOTAL</b>		<b>\$ 100,720,000</b>	<b>\$ 131,138,720</b>	<b>\$ -</b>	<b>\$ 131,138,720</b>
<b>RESTRICTED FUNDS</b>					
Harvest Wind Escrow		\$ -	\$ 512,308	\$ -	\$ 512,308
Debt Service Reserves		-	6,122,532	-	6,122,532
Wildlife Reserve		-	107,635	-	107,635
Customer Care Fund		-	809,503	-	809,503
Customer Deposit Reserves		-	1,492,794	-	1,492,794
<b>RESTRICTED FUNDS TOTAL</b>		<b>\$ -</b>	<b>\$ 9,044,772</b>	<b>\$ -</b>	<b>\$ 9,044,772</b>
Recommended Target Changes:	Current	Recommended			
Working Cash	\$42,000,000	\$45,000,000			
Power Reserve	\$23,000,000	\$25,000,000			
Capital Improvement Reserve	\$25,000,000	\$26,000,000			



Eugene Water & Electric Board

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## *Financial Policies*

*Approved June 6, 2023*

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# EWEB Financial Policies

## 1.0 RESERVE POLICIES

### 1.1 Rate Sufficiency Policy

Rates and charges will be adequate to provide revenues sufficient to maintain a degree of financial soundness over and above requirements for compliance with existing bond covenants. Performance standards are based on review with EWEB's Financial Advisor regarding financial market conditions and rating agency considerations, as well as industry benchmarks for comparable utilities. (BP SD6)

#### Discussion:

EWEB bond resolutions contain a rate sufficiency covenant that is a standard provision in municipal utility bond contracts. The covenant requires that rates and charges be set at a level that is high enough to pay the costs of operating and maintaining the utilities. This rate sufficiency policy is a higher standard than that required by the standard rate covenant contained in the bond resolutions. The policy is intended to supplement the weaker financial performance standards set out as minimum requirements in the bond resolutions. The financial standard implied by this policy is that rates and charges will be maintained at a level consistent with an average credit rating of A for the Electric Utility and AA rating for the Water Utility.

Credit rating agencies evaluate creditworthiness by assessing an organization's ability to adequately address issues of strategic importance. Credit analysis includes the track record of performance as reflected in widely used ratios and statistics. These measurements are compared with other similarly situated utilities to determine relative financial strength within the industry. An example of such a statistic is "debt service coverage ratio" which shows how many times debt service can be paid from net revenues. Minimum legal debt service coverage requirements are 1.35 times debt service for issuing new debt for the Electric Utility and 1.25 times debt service for the Water Utility. EWEB's long term target for debt service coverage ratio for the Electric Utility is 1.75 to 2.0 and the Water Utility is 2.00 to 2.50 times debt service.

	<b>Performance Standard</b>
<b>Electric Utility</b>	
Working Capital Days Cash	>150 days
Current Ratio	3.250x
Debt Service Coverage	1.75 to 2.0x
<b>Water Utility</b>	
Working Capital Days Cash	>150 days
Current Ratio	3.250x
Debt Service Coverage	2.0 to 2.50

## ***EWEB Financial Policies***

Working cash balances are based on the amount of cash needed to pay for ongoing operational expenditures and maintain an amount of working capital to support the day's cash ratio sufficient to maintain higher than average credit rating. The target for working cash is \$~~42-45~~ million and \$3.4 million for the Electric and Water Utility, respectively.

### **1.2 Rate Stability Policy**

Certain funds will be held in reserve for the purpose of mitigating the customer rate impact of unanticipated events. (*BP SD6*)

#### **Discussion:**

It is the nature of budgets, financial projections, and other statements about the future to contain uncertainty. The intent of this policy is to set aside funds or other financial instruments to smooth out the financial impact on customers when assumptions about the future do not comport with actual events as they transpire.

#### *Power Reserve*

The Electric Utility owns or has contracted for power resources that exceed the amounts needed to serve customer load and is exposed to certain power portfolio and retail load risks that can have significant adverse effects on financial stability. Those risks include, generation, power price, retail load, and credit risks. EWEB has established a power reserve that is designed to provide funds sufficient to cover operational costs in the event of adverse fluctuations in these risks. The funds needed to mitigate financial impacts of fluctuations are estimated annually based upon the measurement criteria specific to each of the major risks. Generation risk is calculated by measuring the impact to revenues if water available for generation is at Firm levels which is approximately 70% of median. Power price risk is calculated by assuming prices decrease 30% from budget expectations, and retail load risk is calculated assuming a 4% decrease from budgeted load. Credit risk is a flat dollar amount that represents approximately 50% of counterparty exposure. The combined amounts are intended to cover operational cost for one calendar year and prevent sudden and significant impacts to customer rates. The Board of Commissioners may elect to supplement the calculated amounts at their discretion.

#### *Operating Reserves*

The Water and Electric Operating Reserve accounts are used in similar fashion to smooth out the effects of revenue shortfalls or unforeseen expenses.

## **EWEB Financial Policies**

### Self-Insurance Reserve

The Self Insurance Reserve is to fund the out-of-pocket liability costs of third party claims. The target for the Self-Insurance Reserve combined for both the Electric and Water Utilities totals \$2 million, which is based on the amount EWEB is self-insured. Excess liability insurance protects EWEB after the self-insurance retention is exhausted.

### Rate Stabilization Funds

The Water and Electric Rate Stabilization Fund accounts are used to enhance the Utilities' agility during financial challenges such as unanticipated costs or reduced revenues, and minimize or smooth rate impacts to customers. This fund is intended to manage one-time events, emergent items or to reduce borrowing requirements. Allocations are made at Board discretion. Targets for the rate stabilization funds approximate a 3% rate impact for each Utility.

#### **Electric Utility**

#### **Target**

Power Reserve	\$ <del>23</del> 25,000,000
Operating Reserve	\$ 4,000,000
Self-Insurance Reserve	\$ 1,720,000
Rate Stabilization Fund	\$ 5,000,000

#### **Water Utility**

Operating Reserve	\$1,000,000
Self-Insurance Reserve	\$ 280,000
Rate Stabilization Fund	\$1,000,000

### **1.3 Capital Improvement Funding and Reserve Policy**

Utility plant assets will be maintained to provide reliable, high quality service, including such capital additions as may be necessary to support growth in loads and customer base, and associated infrastructure. (BP SD6)

#### **Discussion:**

EWEB's approach to financing capital assets uses a combination of current rate revenue, capital improvement reserves, contributions in aid of construction, system development charges, and debt financing.

Capital projects are classified as Type 1, Type 2, or Type 3. Each year, an amount is budgeted from rate revenues to provide ongoing funding for a base level of capital additions and replacements. The base level amount is determined through an



## **EWEB Financial Policies**

evaluation of the age and condition of basic capital infrastructure of the Electric and the Water Utilities taking into consideration capital reserve levels. This amount represents what is needed annually to maintain the desired level of service reliability on a long-term basis. These are considered Type 1 capital projects; projects that are ongoing capital infrastructure replacements.

Type 2 capital projects are large rebuilding or expansion projects in excess of \$1 million that occur periodically and may be funded with rates or bonds. Type 3 capital projects are major strategic projects and are funded with bonds and/or reserves.

Capital funding requirements are determined by a Capital Improvement Plan (CIP). The CIP is a ten-year projection of capital needs that is updated annually and approved by the Board. The CIP sets out, for each utility, the anticipated need for utility and support infrastructure to meet customer demands and system reliability standards. Identified in the CIP is an indication of the proportion of funding from 1) rates, 2) accumulated reserves, and 3) debt proceeds.

The target amount for the Electric and Water Utility Capital Improvement Reserve is based on one year's depreciation expense adjusted for service reliability needs. In general, reinvestment in capital should be at the same rate as depreciation.

A system over 65% depreciated should be watched for aging.

Rate of return measures the ability to pay current and future infrastructure costs. Rates outside the performance standard should be evaluated to ensure current customers pay their share for the use of infrastructure. A higher rate of return signals current customers may be paying more towards future infrastructure costs, while a lower rate of return signals current customers may not be paying enough for current costs.

### **The Targets are:**

Electric Utility: \$~~25~~26 million

Water Utility: \$~~89~~ million

### **Performance Standard – Electric and Water:**

Age of System < 60%

Rate of Return 5 - 7%

### **1.4 Retirement Benefits Funding Policy**

All long-term liabilities that must be either disclosed and/or accounted for in the financial statements will be funded according to a rational and consistent plan that targets full funding of the liabilities over a specified period of time. *(BP SD6)*

#### **Discussion:**

Unfunded retirement liabilities result from pension and other post-employment benefit programs. The primary financial strategy with these plans is to pay the actuarially determined annual required contribution, which pays for the current costs and unfunded liabilities over a designated period of years. However, if the funded status of the plans reach 70% funded status or less, an assessment of accelerated funding will be performed. When the funding status of the plan is at or below 70% of funded status, the plan is financially unstable as the plan is no longer self-funding based on actuarially determined contribution rates. Below is a summary of the three plans.

1) **Pension Plan** - The Oregon PERS (OPERS) continues to experience volatility in regard to the rates employers pay to the state pension plan for benefits. EWEB pays the actuarially determined rate. In years where there is a difference between the PERS ordered contribution rate and the amount provided for in the annual budget, the excess amounts will be set aside in a Board reserve for reduction of unfunded retirement liabilities in the future.

2) **Other Post-Employment Benefits** – EWEB created a trust in November 2007 as a means through which assets are accumulated and benefits are paid for other post-employment benefits (OPEB), other than pension benefits. Eligible retirees and beneficiaries of EWEB receive health care and life insurance benefits.

3) **Supplemental Retirement Plan** – EWEB created a pension plan in 1968 to provide supplemental retirement benefits to employees. The objective of the plan was to provide a benefit on retirement, which together with benefit from the OPERS, will provide 1.67% of the highest 36-month average salary for each year of service. The plan was closed in 1988. EWEB contributes actuarially determined amounts to a designated pension fund that pays the annual cost for this closed plan. Due to the nature of the closed plan, it is more cost effective to pay-as-you go, than set up a trust.

## **EWEB Financial Policies**

### **1.5 Replenishment of Reserves**

If a reserve balance falls below Board targets, the order of precedence and minimum length of time to replenish will be determined using the following criteria:

Order of Precedence: 1 – Rate Sufficiency Policy  
2 – Capital Reserve Policy  
3 – Rate Stability Policy

Length of time to replenish:

	Electric Utility	Water Utility
One year	<\$2 million below target	< \$500,000 below target
Three years	>\$2 million and < \$5 million below target	> \$500,000 and < \$1 million below target
Five years *	> \$5 million below target	> \$1 million below target

\*Should a reserve fall drastically below target, a determination will be made whether cash should be secured by other means (i.e., Letter of Credit or bond issuance).

If a reserve falls below target, staff will propose a replenishment strategy to the Board for approval during the annual reserve transfer process or sooner if deemed necessary.

## **2.0 FINANCIAL MANAGEMENT POLICIES**

### **2.1 Cost Management Policy**

EWEB will take cost management actions that provide for authorized budgets and include actions to maintain expenditures within authorized budget levels. (BP SD6)

#### **Discussion:**

The annual budget is the primary tool for setting rates and controlling costs within a given year. For accounting and budgetary purposes, the budgets are broken into operating and capital components for each Utility. The operating budget of the Electric Utility further separates power and related costs as distinct from non-power operating costs. The reason for this is that the cost of power and related items generally varies with changes in sales volume. Non-power items are composed of mostly labor, services and materials that are less susceptible to variations in sales volumes.

The annual budgets are the maximum level of expenditure authorized by the Board. Conditions may arise during any given budget year that cause projected expenditures for either Utility's operations & maintenance and/or capital budgets to be higher than those approved by the Board. If any of the specific conditions occur as defined in Board Policy EL1 - Financial Controls, Management is required to propose a budget amendment.

The budget amendment proposal must state the causes of the projected non-budgeted expenditures, the offsetting actions taken to mitigate the increase, and the source of any additional funding requested. The Board will consider each proposed budget amendment and either approve or disapprove. In the event of disapproval, the General Manager will exercise established authorities in taking actions necessary to curtail spending within authorized levels.

To monitor the budget, cost management procedures involve the monthly review of variances from the authorized budget by supervisors and managers. The review of power-related items is performed by the Power Risk Management Committee and is separate from non-power items. Actual and projected capital and other non-power expenditures are monitored by the Leadership Team. With the assistance of financial staff, the Leadership Team determines what degree unfavorable variances in one department can be offset by favorable variances in another. In the event of a shortfall, the Leadership Team will determine whether to bring a budget amendment forward or curtail other activities to remain within authorized spending levels.

### **2.2 Budget Policy**

The authorized annual spending plan will be balanced such that resources meet or exceed requirements in each fiscal year. *(BP SD6)*

#### **Discussion:**

Long-term financial stability can be assured only if, in each year, the annual spending plan is fully funded and results in a balanced budget. The budget is considered balanced when the following three conditions are met:

- 1) Expected annual operating revenues and use of reserves for one-time expenses equal or exceed anticipated operation and maintenance expenses.
  
- 2) Budgeted capital outlays are funded in full from a combination of net operating revenues, capital improvement reserves, accumulated system development charges, and debt proceeds.
  
- 3) Pro forma presentation of debt service coverage shows a ratio at or above the Board established performance standard (Rate Sufficiency Policy 1.1).

## **EWEB Financial Policies**

### **2.3 Debt Policy**

Funds to acquire major capital improvements will be provided in accordance with the estimated useful lives of such assets. (BP SD6)

#### **Discussion:**

Prudent financial practice dictates the use of debt financing only in those cases where public policy, ratepayer equity, and economic efficiency favor the use of debt over current financing. In EWEB's case, debt is considered an appropriate funding option for Type 2 and Type 3 capital projects. (See the discussion under Capital Reserve Policy 1.3.) Debt service payments shall not exceed the useful life of the asset and should be structured to mirror the stream of benefits from the facility or project being funded.

Long-term debt financing will be considered for those major system improvements that meet two general criteria:

- The asset has a relatively long useful economic life (at least 10 years);
- The asset is a significant item included within the capital budget portion of the electric and/or water project plans.

However, if debt levels are too high the utility could become over-leveraged relative to its asset base and revenue producing capability. In all cases, management will balance the benefit of long term financing with the overall health of the organization as determined by appropriate measures of financial leverage.

Performance standards, are based on review with EWEB's Financial Advisor regarding financial market conditions and rating agency considerations, as well as industry benchmarks for comparable utilities.

	<b><u>Performance Standard</u></b>
<b>Electric Utility</b>	
Debt as a % of NBV	60% or less
<b>Water Utility</b>	
Debt as a % of NBV	60% or less

## **EWEB Financial Policies**

### **2.4 Billing and Collection Policy**

Services will be billed in an accurate and timely manner and collected with fair and equitable consideration for all customers. (BP SD6)

#### **Discussion:**

Sound business and collection practices will be applied uniformly to all customers. EWEB maintains a customer credit rating system to provide fair and equitable consideration in deposit and collection practices for all customers. Decisions to extend payment terms for anyone are based on the customer's good faith, ability to pay, and payment history.

EWEB provides cost-effective customer assistance programs (e.g., Budget Payment Plan, Customer Care, payment extension options, dispute/appeals recourse, etc.). EWEB will also cooperate with customers participating in social service programs such as the Limited Income Home Energy Assistance Program (LIHEAP) and other resources available to customers.

EWEB makes every reasonable and cost-effective attempt to secure payment of all accounts receivable. In accordance with bond covenants, products and services are not provided free of charge. Bills are issued based upon actual use of products and services, except that billings are estimated when EWEB service meters are inaccessible, or other considerations necessitate issuing estimated billings. Following an estimated reading, charges are adjusted to record and reflect actual consumption.

EWEB employees make a concerted effort to inform customers about the options available to them regarding payment for and controlled use of EWEB products and services as situations may deem advisable. In addition, EWEB has built strong partnerships with community social service organizations that create preventive strategies for avoiding disconnection of services.

Performance standards are as follows:

	<b>Performance Standard</b>
Write-offs as a % of Rate Revenue	.5% or less

### **3.0 FINANCIAL RISK MANAGEMENT POLICIES**

#### **3.1 Financial Risk Management Policy**

Financial risks associated with EWEB operations will be proactively managed in a cost-effective and efficient manner consistent with prudent utility practice. *(BP SD6)*

##### **Discussion:**

The objective of financial risk management is ongoing identification and mitigation of the risk of financial losses including power risk, property damage and other insurable risks, vendor contract development and administration, and risks associated with administering Oregon Public Contracting laws and statutes. EWEB will transfer as much as is reasonably possible of its liability contractually, and retain those risks that can be self-assumed without seriously affecting the financial condition of the organization. EWEB will purchase sufficient insurance coverage when the risk is of a catastrophic nature or beyond the capacity of the organization to absorb, or when it is required by law or contract. However, insurance shall, of necessity, be limited to availability of coverage at reasonable cost, consistent with the probable frequency, severity and impact of losses on the financial stability of the organization.

Due to the nature and extent of commodity risks, power supply related risk management policies are separately addressed in the Power Risk Management Policy.

#### **3.2 Power Risk Management Policy**

Purchases and sales of electric power and related financial instruments will be managed to maximize the benefits to customers from wholesale transactions while minimizing the risk that wholesale activities will adversely affect retail prices. *(BP SD6)*

##### **Discussion:**

For many years the staff at EWEB has worked to reduce power purchase costs while managing or avoiding risks that might result in price shocks or supply interruptions. Rapid changes in the electric power industry since 2000 have challenged traditional methods and prompted EWEB to migrate to power management systems and controls similar to those used in commodity trading organizations.

The Board has established a Power Risk Management Policy to provide direction and oversight as referenced in Board Policy SD8 - Power Risk Management Policies.

## **EWEB Financial Policies**

### **3.3 Investment Policy**

EWEB's investment portfolio will be managed to achieve safety of capital, achieve market rates of return, and provide sufficient liquidity to meet disbursement schedules. *(BP SD6)*

#### **Discussion:**

EWEB's Investment Policy calls for the investment of excess funds in a manner which will preserve capital and provide sufficient liquidity to meet cash flow demands while conforming to all State statutes governing investment of public funds and bond covenants. The policy includes provisions with respect to diversification and the credit quality of securities purchased. EWEB's primary objectives are, in order of priority: safety of principal, liquidity and achieving a rate of return at least equal to the return on a comparably maturing U.S. Treasury bill. EWEB attempts to match its investments to anticipated cash flow requirements. Securities are intended to be held to maturity, unless the quality, yield or maturity characteristics of the portfolio can be improved by replacing one security with another.

## **4.0 ACCOUNTING POLICIES**

### **4.1 Financial Entity Policy**

EWEB will account for separate financial entities and will clearly define relationships among those entities to facilitate management decision-making. *(BP SD6)*

#### **Discussion:**

#### **1) Financial Reporting and Budget**

Financial accounting standards and Bond covenants require that EWEB maintain separate financial records for the Electric Utility and the Water Utility. Each entity has separate legal standing and revenues backing their respective bond issues and separate budgets. Often, the Utilities share personnel or other resources. The shared resources are allocated between the systems for accounting and ratemaking purposes.

#### **2) Reporting Entity**

For external reporting purposes, EWEB is required to follow Governmental Accounting Standards Board (GASB) definition of a reporting entity as EWEB is considered a primary government. The Electric and Water Utilities are reported separately with a combined total for both systems.

For internal reporting purposes, the results and financial position of the Electric Utility and the Water Utility will be reported separately. In addition, any component of either



## **EWEB Financial Policies**

Utility, which can be separately reported, and for which separate reporting would be useful, such as a major line of business, class of customer, or new operation will be separately reported as required by EWEB management from time to time.

EWEB also has various relationships with other parties. They are separate legal entities that are properly recorded within the Electric System and are fully disclosed in the footnotes of the financial statements.

### **4.2 Capitalization Policy**

Major utility expenditures for labor, materials and/or services that result in revenue or benefits in future reporting periods will be capitalized and allocated to match such future revenue or benefits through periodic amortization or depreciation, using methodologies acceptable under accounting standards. Additions, renewals, and betterments with a minimum cost of \$5,000 are capitalized. Repairs and minor replacements are recorded as operating expenses. *(BP SD6)*

#### **Discussion:**

##### **1) Utility Plant in Service**

The physical assets that make up the electric and water production, transmission and distribution systems, including the acquisition of land or construction of a building are capitalized and included in plant in service.

##### **2) Preliminary Investigations and Regulatory Accounting**

It is accepted utility practice to accumulate preliminary investigations, costs of projects the utility believes will be viable in the future. An example of this for EWEB is relicensing costs for the Carmen-Smith Project. Preliminary investigations are recorded as an "Other Asset" on the Statement of Net Position.

EWEB policy also permits the use of regulatory accounting, which allows for revenues and expenses to be charged to future periods to match the time periods when the revenue and expenses are included in rates. Revenues and expenses that are recorded using regulatory accounting may be treated as other assets or liabilities or deferred inflows or outflows, depending on the nature of the revenue or expense. An example of a regulatory other asset is unamortized bond issuance costs. An example of deferred inflows and outflows is the recording of the change in market value of hedging derivative instruments. Board approval, either by resolution or by inclusion in the annual budget, is required prior to using regulatory accounting.

## EWEB Financial Policies

### REVISION HISTORY

Version	Section Revised / Description	Resolution No.	Created Approved
1	EWEB Financial Policies document created by Jim Origliosso		06/01/1995
2	Policy drafted to assist in ensuring the Electric and Water Utilities' long term financial sustainability. Board Approved		01/18/2000
3	Board Ratified Financial Policies with Strategic Direction 6 (SD)		04/19/2005
4	Amended: <b>Changes include the addition of Power Risk Management Policies and Interest Rate Swap Policies.</b> Where applicable, measurement indication and performance standards were added to provide information about how compliance with the policies is being measured.	Jim O. revised 6/1/2005	07/19/2005
5	Revised with Strategic Direction (SD6):		05/30/2011
6	Set new Working Cash Target for Electric and Water Utility to \$24 million and \$3.4 million, respectively  Changes for Electric Utility: <ul style="list-style-type: none"> <li>• Financial rating target from AA to A</li> <li>• Set new Debt Service Coverage Target</li> <li>• Changed Capital Improvement Reserve target to \$18 million</li> </ul>	1308	06/04/2013  Executed 07/16/2013
7	<p><b>Financial Policies reviewed and updated based on 2014 year-end results, the Board's targets, associated financial metrics and accounting standards. Also modified Board Policy SD6:</b></p> <p><b>Section 1.2-Rate Stability</b>, updated to reflect the change in methodology for calculating the power reserve.</p> <p><b>Section 1.3-Capital Reserve</b>, renamed the Capital Improvement Funding and Reserve Policy.</p> <p><b>Section 1.4-Retirement Benefits Funding</b>, updated wording for clarity.</p> <p><b>Section 2.0-Financial Management</b>, edited to align with the 2014 revision of Board Policy EI-1 and for clarity.</p> <p><b>Section 3.0-Risk Management</b>, with the creation of an Enterprise Risk Function, this section was revised to focus on Financial Risk Management. Enterprise Risk Management will be covered in a separate policy.</p> <p><b>Section 4.0-Accounting</b>, edited for clarity and to confirm with changes in accounting standards.</p>	1518	07/21/2015

## EWEB Financial Policies

	<b>Section 5.0-Reference Documents</b> , Appendices referencing other Board policies were removed and cash and reserve targets summary were updated.		
8	<p><b>Financial Policies reviewed and updated based on 2016 year-end results, the Board's targets, associated financial metrics and accounting standards:</b></p> <p><b>Section 1.1-Rate Sufficiency</b>, increased Working Capital Days Cash to &gt;150 days to support the higher credit ratings for each utility.</p> <p><b>Section 1.2-Rate Stability</b>, included a Rate Stabilization Fund for both Utilities. Target of \$5 million for Electric and \$1 million for Water. Power Reserve target reduced to \$17 million from \$22.1 million.</p> <p><b>Section 1.3-Capital Improvement Funding and Reserve</b>, Target for Electric increased to \$22 million from \$20 million.</p> <p><b>Section 1.5-Replenish of Reserves</b> – added to establish criteria in the event a reserve falls below Board targets and specifies the order of precedence and length of time to replenish.</p> <p><b>Section 2.3-Debt</b>, Debt/Asset and Debt/Equity ratios replaced by Debt as a % of Net Book Value (NBV) to reflect industry trends.</p> <p><b>Section 5.0-Reference Documents</b>, revised Cash and Reserve Targets Summary.</p>	1711	06/06/2017
9	Revision to increase <b>Electric Working Cash Target</b> to \$36 million from \$24 million to consistently align to retain AA bond rating.	1817	06/05/2018
10	Revision to change <b>Electric Operating Reserve Target</b> to \$4.0 million from \$2.0 million under Section 1.2 and Rate Stabilization Funds. Replaced Source with Revision History.	1913	06/04/2019
11	<p><b>Section 1.1-Rate Sufficiency Policy</b> - Increased <b>Electric Working Cash Target</b> to \$42.0 million from \$36.0 million.</p> <p><b>Section 1.2-Rate Stability Policy</b> - Increased <b>Power Reserve Target</b> to \$23.0 million from \$17.0 million.</p> <p><b>Section 1.3-Capital Improvement Funding and Reserve Policy</b> - Increased <b>Capital Improvement Reserve Targets</b> to \$25.0 million and \$8.0 million, from \$22.0 million and \$7.0 million for Electric and Water, respectively.</p> <p><b>Section 4.1-Financial Entity Policy</b> - Removed reference to specific relationships with other parties.</p>	2312	6/6/2023
<u>12</u>	<u><a href="#">Section 1.1-Rate Sufficiency Policy - Increased Electric Working Cash Target to \$45.0 million from \$42.0 million.</a></u>	<u>XXXX</u>	

**EWEB Financial Policies**

	<p><u><b>Section 1.2-Rate Stability Policy - Increased Power Reserve Target</b> to \$25.0 million from \$23.0 million.</u></p> <p><u><b>Section 1.3-Capital Improvement Funding and Reserve Policy - Increased Capital Improvement Reserve Targets</b> to \$26.0 million and \$9.0 million, from \$25.0 million and \$8.0 million for Electric and Water, respectively.</u></p>		
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## EWEB Financial Policies

### 5.0 APPENDIX A: CASH AND RESERVE TARGETS SUMMARY

<u>Cash and Reserve Accounts</u>	<u>Electric Utility Target</u>	<u>Water Utility Target</u>
1) Working Cash	\$ <del>4245</del> ,000,000	\$3,400,000
2) Power Reserve	<del>2325</del> ,000,000	
3) Operating Reserve	4,000,000	1,000,000
4) Self-Insurance Reserve	1,720,000	280,000
5) Capital Improvement Reserve	<del>2526</del> ,000,000	<del>89</del> ,000,000
6) Rate Stabilization Fund	5,000,000	1,000,000
	_____	_____
Total	<u>\$<del>100106</del>,720,000</u>	<u>\$<del>1314</del>,680,000</u>

- 1) Working Cash – amount of cash needed to pay for ongoing operational costs during the year.
- 2) Power Reserve – amount of reserves to offset fluctuations due to the effects of risk exposures, and any budgeted draw on the reserve.
- 3) Operating Reserve – reserve for emergency operating costs.
- 4) Self-Insurance Reserve – reserve to pay for claims incurred during the year and target is based on the \$2 million self-insured retention for both utilities combined.
- 5) Capital Improvement Reserve – reserve for capital improvements and target is based on approximately one year’s depreciation.
- 6) Rate Stabilization Fund – reserve for one-time use at Board discretion; target amount approximates the dollar equivalent of a 3% price increase

**RESOLUTION NO. 2407  
JUNE 2024**

**EUGENE WATER & ELECTRIC BOARD  
RESERVE TRANSFERS**

**WHEREAS**, the Eugene Water & Electric Board is the body designated by the Eugene City Charter and City Code to administer the Electric and Water Utilities of the City of Eugene;

**WHEREAS**, the Eugene Water & Electric Board has set up procedures for evaluating reserve status after the annual audit;

**WHEREAS**, the 2023 annual audit is complete;

**WHEREAS**, the Eugene Water & Electric Board has reviewed year-end results

**THEREFORE BE IT RESOLVED** that the Eugene Water & Electric Board hereby authorizes the General Manager to make the following transfers:

Water Utility

- 1) \$140,000 from Working Cash to the Pension & Post-Retirement Medical Fund
- 2) \$3,700,000 from Working Cash to the Capital Improvement Reserve
- 3) \$7,320,000 from the Rate Stabilization Fund to the Capital Improvement Reserve

Electric Utility

- 1) \$109,000 from Working Cash to the Pension & Post-Retirement Medical Fund
- 2) \$2,000,000 from Working Cash to the Power Reserve
- 3) \$13,000,000 from Working Cash to the Capital Improvement Reserve
- 4) \$9,336,000 from the Rate Stabilization Fund to the Capital Improvement Reserve

Dated this 4<sup>th</sup> day of June 2024

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

\_\_\_\_\_  
President

I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its June 4, 2024 Board Meeting.

\_\_\_\_\_  
Assistant Secretary

**RESOLUTION NO. 2408  
JUNE 2024**

**EUGENE WATER & ELECTRIC BOARD  
RESOLUTION APPROVING REVISIONS TO FINANCIAL POLICIES**

**WHEREAS**, the Eugene Water & Electric Board is the body designated by the Eugene City Charter and City Code to administer the Electric and Water Utilities of the City of Eugene;

**WHEREAS**, the Eugene Water & Electric Board has established Financial Policies to support the Board's financial targets, strategies and reporting;

**WHEREAS**, the Eugene Water & Electric Board has determined increases in the targets for the Electric and Water Capital Improvement Reserves, Electric Working Cash and Electric Power Reserve are appropriate;

**WHEREAS**, the Eugene Water & Electric Board has determined that updates to policy language are appropriate;

**THEREFORE BE IT RESOLVED** that the Eugene Water & Electric Board hereby approves the revisions to the Financial Policies.

Dated this 4<sup>th</sup> day of June 2024

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

\_\_\_\_\_  
President

I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its June 4, 2024 Board Meeting.

\_\_\_\_\_  
Assistant Secretary



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners McRae, Barofsky, Schlossberg, Brown, and Carlson  
FROM: Deborah Hart, Assistant General Manager/CFO; Adam Rue, Rates Manager  
DATE: May 24, 2024  
SUBJECT: Update to Customer Fees, Rates, and Charges  
OBJECTIVE: Approval of 2024 Fees and Charges

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## Issue

The Eugene Water & Electric Board updates fees, rates, and other charges to customers at different times throughout the year. Staff is seeking Board approval of the fees described below and presented in Attachments 1 - 5.

## Background

At the May Board meeting, the Board directed staff to recommend a phased-in approach to the Water Service Installation Charges.

This action item is to seek approval of updates to various fees listed below, which includes the modified proposal for the Water Service Installation and Development Charges to include a phased in approach.

- Joint Use / Pole Attachment Fees
- Transmission Services Fee
- Water Service Installation Charges (phased-in approach)
- Dark Fiber Lease
- Traffic Signals

The fees in this memo are intended to be updated annually mid-year in the future. The listed fees will be included in the annual updates as well as other fees discussed below.

These fees represent other operating revenue which offsets the retail rate revenue in the revenue requirement. Periodic updates to these fees ensure that the customers and parties who incur the costs are charged accordingly. Staff will review the fees annually and provide recommendations for adjustments to the Board to ensure more timely updates to fees.

The Board reviewed the fee updates in May 2024 and Staff is seeking approval at this time for the fees presented in Attachments 1-5.



## Discussion

The standard offer price and rate updates are reported annually at EWEB's December Board meeting. These price and rate updates include water and electric residential, water and electric general service, water district contracts, electric streetlights, electric partial requirements, and purchase power rates for electric distribution generation customers.

Below are the proposed changes to the fees being recommended for updates. In the past, these fees have been updated at different times throughout the year and have had different numbers of years between updates.

- ***Pole Attachment / Joint Use Fees and Charges*** were last updated in May 2023 with approval of Board Resolution No. 2310. These fees are typically updated annually and apply to communications companies that utilize EWEB distribution poles. Details of the proposed update to this fee and revised Customer Service Policy can be found in Attachment 1.
- ***Transmission Services Fee*** was last updated in 2015 with Board Resolution No. 1535. These fees are updated periodically and apply to a small number of utilities and generators that wheel power over were transmission system. Details of the proposed update to this fee and revised Customer Service Policy and Transmission Operations Policy can be found in Attachment 2.
- ***Water Service Installation Charges*** were last updated in 2013 with Resolution No. 1318. Details of the proposed update to this fee and revised Customer Service Policy can be found in Attachment 3. The proposed increase to the cost of service is phased-in over three years to employ the principle of gradualism.
- ***Dark Fiber Leasing Rates*** were last updated in March 2023 with the approval of Board Resolution No. 2307. These fees are typically updated annually. Details of the proposed update to this fee and revised Customer Service Policy can be found in Attachment 4.
- ***Traffic Signal Rates*** were last updated in 2016. These rates have historically not been approved by the Board. Details of the proposed update to this fee can be found in Attachment 5.

We will continue to review these and other fees annually. Future updates to the fees, charges, and schedules being proposed this year, or reviewed and deferred to next year's update, will be incorporated into future Spring Fee Updates. The annual Fall / Year End Rate Proposal will continue to incorporate the same content as previous updates.

## Requested Board Action

Staff is recommending approval of Resolution No. 2409 and No. 2410 authorizing the Water and Electric Utility fee updates in Attachments 1-5.

Attachment 1: Pole Attachment / Joint Use Fees

Attachment 2: Transmission Services Fees

Attachment 3: Water Services Installation Fees (phased in approach)

Attachment 4: Dark Fiber Leasing Rates

Attachment 5: Traffic Signal Rates

## Attachment 1 Pole Attachment / Joint Use Fees

The Federal Communications Commission is the federal agency holding jurisdiction over telecommunications and enacts rules related to pole attachments and rates charged for attaching to utility poles. However, Congress recognized the important role of states in ensuring that utilities provide access to poles, ducts, conduits, and rights-of-way in a manner consistent with statute. Under the “reverse preemption” provision, states may certify that they regulate rates, terms, and conditions for pole attachments in their respective states; the Commission (Federal Communications Commission) retains jurisdiction over pole attachments only in state that do not so certify.

Oregon has developed rates, terms, and conditions under the “reverse preemption” provision, in which Oregon revised statute 757.270 to 757.290 establishes the Attachment Regulations for the State of Oregon. Specifically, 757.276 Attachments by licensees to customer-owned utility facilities regulated states,

The Public Utilities Commission of Oregon shall have the authority to regulate the rates, terms, and conditions of attachments by licensees to poles or other facilities of customer-owned utilities.

The rate formula is cited in Oregon Administrative Rule (OAR) 860-028-0000 through OAR 860-028-0310 of the Public Utility Code.

EWEB follows the methodology prescribed in the Public Utility Code OAR, which is based on applying the respective administrative and general, maintenance, depreciation, taxes, and cost of money to the net investment in plant for determination of pole attachment rates charged to pole occupants.

EWEB added Joint Use Fees and Charges to its Customer Service Policy with Board Resolution No. 1906 in March 2019 to improve transparency and documentation of these fees and charges. The most recent update to the Joint Use Fees and Charges was in May 2023 with Board Resolution No. 2310.

In January 2021, the Board approved Resolution No. 2103 which included the addition of fees for joint use on communication towers and transmission structures. These fees are calculated using the Oregon Department of Transportation methodology.

The current and proposed Non-Compliance Rate and Compliance Rate is listed below in Table 1.

**Table 1: Current and Proposed Joint Use Fees for Pole Attachments**

<b>Rate</b>	<b>Current</b>	<b>Proposed</b>
Compliance Rate	\$14.91	\$20.03
Non-Compliance Rate	\$16.57	\$23.14

This adjustment is consistent with applicable laws and industry best practices. The OAR 860-028-0310 specifies the methodology for calculating the rate components which include maintenance,

administration, depreciation, taxes, and cost of money/rate of return. The change from our previous assumption of 45 feet to 40 feet is the component that was most impactful to the rate update and aligns with the definition of Pole Cost in OAR 860-028-0020.

(22) "Pole cost" means the depreciated original installed cost of an average bare pole to include supporting equipment of the pole owner, ... there is a rebuttable presumption that the average bare pole is 40 feet ..."

The costs reflected in these rates represent EWEB cost of maintenance of the poles and the methodology presented in OAR 860-028-0020.

In section OAR 860-028-0115 Duties of Pole Occupants, provision (7) states:

*Vegetation around communication lines must not pose foreseeable danger to the pole and electric supply operator's facilities.*

The respective permittee has obligations in its contract to maintain clearance, as shown in the contract excerpt below.

*Attachment A, Rule 15. The permittee shall keep the attachment and the span free of trees by operating its own tree trimming program on the Structure.*

Therefore, it is the obligation of the permittee to maintain clearance. In practice, this means the entities attaching to EWEB poles are responsible for maintaining clearance over their lines. Determining costs and liability after the fact, particularly after large storm events, can be challenging and so process evaluation around proactively working with attaching entities presents an opportunity for assessment of potential impact and process improvement to ensure compliance with these regulations and limit impact of reliability to EWEB Customers.

There are 15 entities with over 16,800 attachments taking service under this tariff, which represents approximately \$300,000 in revenue for the electric utility.

The proposed redline to the Customer Service Policy is provided below.



# Eugene Water & Electric Board

## Customer Service Policy

### A. Joint Use Fees and Charges

(Resolution No. 2310)

The following are fees and charges for joint use wireline, equipment related to wireline, antennae and equipment related to antenna attachments. This information is excerpted from the Pole Attachment Agreement.

**For wireline and related equipment, the following are applicable:**

1. Terms and Conditions (#13 and #14 from Appendix A of the Pole Attachment Agreement)

13. As compensation for the use of space on Permitter’s Poles on each Structure, Permittee shall pay to Permitter, at the beginning of each Contract Year of the Agreement, the following amounts for Permittee’s attachments to Permitter’s Poles:

Rate per Cable attachment x number of Cable attachments  
 Rate per Equipment attachment x number of Equipment attachments

14. The rates for attachments will be recomputed annually using the formula that follows:

14.1. Cable Attached to Permitter’s Poles:

$$\text{Pole Rate} = \frac{\text{Space Occupied by Cable} \times \text{Net Investment in Poles} \times \text{Carrying Charge}}{\text{Total Usable Space} \times \text{Number of Poles}}$$

14.2. Equipment Attached to Permitter’s Poles:

$$\text{Equipment Rate} = 2 \times \text{Pole Rate}$$

June 1, 2024 – May 31, 2025 Pole Rate:

Noncompliance Rate	<del>\$16.57</del> \$23.14
Compliance Rate	<del>\$14.91</del> \$20.03

## Attachment 2 Transmission Services Fee

The Board last approved changes to Transmission Rates in Resolution No. 1535 in 2015. This item was previously updated in 2011 and has generally been updated on a five-year review/update schedule.

The Board approved its current Transmission Policy in May 2018. The last rate update was in 2015 for rates effective 2016. Therefore, the percentage changes from current to proposed reflects the compound annual growth rate for the period from 2016 to 2024.

**Table 2: Current and Proposed Transmission Rates**

Item	Current (kw-yr)	Current (kw-mo)	Proposed (kw-yr)	Proposed (kw-mo)	CAGR 1/
Transmission	\$18.11	\$1.51	\$19.59	\$1.63	1.0%
Transformation (substation)	\$19.69	\$1.64	\$19.19	\$1.60	-0.3%
Distribution (primary OH)	\$13.34	\$1.11	\$17.89	\$1.49	3.8%

*1/ compound annual growth rates from last updated in 2015 to current.*

The 2024 Transformation and Distribution Rate adjustment reflects updated methodology to align with the methodology used for the Transmission Rate adjustment.

The update to the transmission rates includes the distribution rate and interconnection rate for operations and maintenance of interconnection facilities. These were previously calculated and used in billing but not published in the Customer Service Policies.

There are 3 entities charged under this tariff, which represents approximately \$350,000 in annual revenue for the electric utility.

The proposed redline to the Customer Service Policy and the Transmission Services Policy is updated below.

## B. Transmission Delivery Service

### 1. Applicability

This policy applies to any Eligible Customer seeking access to EWEB's electrical distribution system.

### 2. Purpose

EWEB will provide Point To Point Transmission Service on a non-discriminatory basis pursuant to applicable law, the applicable rates, terms and conditions of this Operations Policy, and in accordance with the requirements set forth in EWEB's Transmission Service Policy.

Point To Point Transmission Service is for the receipt of capacity and energy at designated Point(s) of Receipt and the transmission of such capacity and energy to designated Point(s) of Delivery.

### 3. General Requirements

Terms and Conditions for Service

Transmission service shall be in accordance with EWEB's Transmission Service Policy. EWEB's Transmission Service Policy is available upon request from EWEB.

### 4. Process and Procedure

Application for Transmission Service

Customer shall submit a Completed Application to EWEB for transmission service over EWEB's electric system. Applications, sample documents, information and requirements for interconnection are available upon request from EWEB.

### 5. Transmission, Transformation, and Distribution Wheeling Service Prices

	Transmission System	Transformation	Distribution (OH Lines)	Units
Annual	\$19.59	\$19.19	\$17.89	kW-Year
Long-Term	\$1.63	\$1.60	\$1.49	kW-Month
Short-Term	\$0.05	\$0.05	\$0.05	kW-Day
Hourly	2.24	2.19	2.04	mills/kWh

**EUGENE WATER & ELECTRIC BOARD**

**TRANSMISSION SERVICES POLICY**



~~MAY 2, 2018~~-JUNE 4, 2024



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## ATTACHMENT E - Index of Point-to-Point Transmission Service Customers

### COMMON SERVICE PROVISIONS

#### 1 Definitions

- 1.1 **Ancillary Services:** Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining the reliable operation of EWEB's Transmission System in accordance with Good Utility Practice.
- 1.2 **Annual Transmission & Transformation Costs:** The total annual cost of the Transmission System for the purpose of calculating the rates for Point-to-Point Transmission Service specified in Schedules 2, 2A, and 4.
- 1.3 **Application:** A request by an Eligible Customer for transmission service pursuant to the provisions of the Transmission Services Policy.
- 1.4 **Commission:** The Federal Energy Regulatory Commission.
- 1.5 **Completed Application:** An Application that satisfies all of the information and other requirements of the Policy, including any required deposit.
- 1.6 **Balancing Authority Area:** The collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.
- 1.7 **Curtailement:** A reduction in transmission service in response to a transmission capacity shortage as a result of system reliability conditions.
- 1.8 **Delivering Party:** The entity supplying capacity and energy to be transmitted at Point(s) of Receipt.
- 1.9 **Designated Agent:** Any entity that performs actions or functions on behalf of EWEB, an Eligible customer, or the Transmission Customer.
- 1.10 **Eligible Customer:** (i) Any electric utility (including EWEB and any power marketer), Federal power marketing agency, or any person generating electric energy for sale for resale is an Eligible Customer under this Policy. Such entity is eligible only if the service is provided pursuant to a state requirement that EWEB offer the unbundled transmission service, or pursuant to a voluntary offer of such service by EWEB. (ii) Any retail customer taking unbundled transmission



service pursuant to a state requirement that EWEB offer the transmission service, or pursuant to a voluntary offer of such service by EWEB, is an Eligible Customer.

- 1.11 Eugene Water & Electric Board (EWEB):** A municipal utility owned by the City of Eugene, Oregon, acting by and through the Eugene Water & Electric Board of Commissioners (hereinafter referred to as the Regulatory Authority), and providing transmission service pursuant to this Policy.
- 1.12 Facilities Study:** An engineering study conducted by EWEB to determine the required modifications to EWEB's Transmission System, including the cost and scheduled completion date for such modifications that will be required to provide the requested transmission service.
- 1.13 Good Utility Practice:** Any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.
- 1.14 Load Shedding:** The systematic reduction of system demand by temporarily decreasing load in response to transmission system or area capacity shortages, system instability, or voltage control considerations.
- 1.15 Long-Term Point-To-Point Transmission Service:** Point-To-Point Transmission Service under Part II of the Policy with a term of one year or more.
- 1.16 Native Load Customers:** The wholesale and retail power customers of EWEB on whose behalf EWEB, by and through the authority of its Board of Commissioners, has undertaken an obligation to construct and operate EWEB's system to meet the reliable electric needs of such customers.
- 1.17 Network Upgrades:** Modifications or additions to



transmission-related facilities that are integrated with and support EWEB's overall Transmission System for the general benefit of all users of such Transmission System.

- 1.18 Open Access Same-Time information System (OASIS):** The information system and standards of conduct contained in Part 37 of the Commission's regulations and all additional requirements implemented by subsequent Commission orders dealing with OASIS.
- 1.19 Part I:** Policy Definitions and Common Service Provisions contained in Sections 2 through 12.
- 1.20 Part II:** Policy Sections 13 through 20 pertaining to Point-To-Point Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments.
- 1.21 Parties:** EWEB and the Transmission Customer receiving service under the Policy.
- 1.22 Point(s) of Delivery:** Point(s) on EWEB's Transmission System where capacity and energy transmitted by EWEB will be made available to the Receiving Party. The Point(s) of Delivery shall be specified in the Service Agreement for Point-To-Point Transmission Service.
- 1.23 Point(s) of Receipt:** Point(s) of interconnection on EWEB's Transmission System where capacity and energy will be made available to EWEB by the Delivering Party. The Point(s) of Receipt shall be specified in the Service Agreement for Point-To-Point Transmission Service.
- 1.24 Point-To-Point Transformation Service:** The reservation and transformation of capacity and energy from the Point(s) of Receipt to the Point(s) of Delivery under Part II of the Policy.
- 1.25 Power Purchaser:** The entity that is purchasing the capacity and energy to be transmitted.
- 1.26 Receiving Party:** The entity receiving the capacity and energy transmitted by EWEB to Point(s) of Delivery.
- 1.27 Regional Transmission Group (RTG):** A voluntary organization of transmission owners, transmission users, and other entities approved by the Commission to efficiently coordinate transmission planning (and expansion), operation and use on a regional (and interregional) basis.



- 1.28 Regulatory Authority:** EWEB's locally elected Board of Commissioners, who are vested by law with the authority to regulate EWEB's utility activities.
- 1.29 Reserved Capacity:** The maximum amount of capacity and energy that EWEB agrees to transmit for the Transmission Customer over EWEB's Transmission System between the Point(s) of Receipt and the Point(s) of Delivery. Reserved Capacity shall be expressed in terms of whole megawatts on a sixty (60) minute interval (commencing on the clock hour) basis.
- 1.30 Service Agreement:** The initial agreement and any amendments or supplements thereto entered into by the Transmission Customer and EWEB for transmission service.
- 1.31 Service Commencement Date:** The date EWEB begins to provide service pursuant to the terms of an executed Service Agreement, or the date EWEB begins to provide service in accordance with Section 14.3.
- 1.32 Short-Term Point-To-Point Transmission Service:** Point-To-Point Transmission Service under Part II of the Policy with a term of less than one year.
- 1.33 System Impact Study:** An assessment by EWEB of (i) the adequacy of the Transmission System to accommodate a request for Transmission Service pursuant to this Policy and (ii) whether any additional costs may be incurred in order to provide transmission service, e.g. Transformation Service charges.
- 1.34 Transmission Customer:** Any Eligible Customer (or its Designated Agent) that (i) executes a Service Agreement, or (ii) requests in writing that EWEB provide transmission service. This term is used in the Part I Common Service Provisions to include customers receiving transmission service under Part II of this Policy.
- 1.35 Transmission Provider:** The Eugene Water & Electric Board (EWEB), which provides transmission service under this Policy.
- 1.36 Transmission Provider's Monthly Transmission System Peak:** The maximum usage of EWEB's Transmission System in a calendar month.
- 1.37 Transmission Service:** Point-To-Point Transmission Service provided under Part II of this Policy.
- 1.38 Transmission System:** The facilities owned, controlled or operated by EWEB that are used to provide transmission service.



## 2 Initial Allocation and Renewal Procedures

**2.1 Initial Allocation of Available Transmission Capability:** For purposes of determining whether existing capability on EWEB's Transmission System is adequate to accommodate a request for service, all Completed Applications for new transmission service received during the initial sixty (60) day period commencing with the effective date of the Policy will be deemed to have been filed simultaneously. A fair and impartial lottery will be conducted by EWEB to assign priorities for Completed Applications filed simultaneously. All Completed Applications for transmission service received after the initial sixty (60) day period shall be assigned a priority pursuant to Section 13.2.

**2.2 Reservation Priority For Existing Service Customers:** Existing service customers with a contract term of one-year or more, have the right to continue to take transmission service from EWEB when the contract expires, rolls over or is renewed. This transmission reservation priority is independent of whether the existing customer continues to purchase capacity and energy from EWEB or elects to purchase capacity and energy from another supplier. If at the end of the contract term, EWEB's Transmission System cannot accommodate all of the requests for transmission service the existing service customer must agree to accept a contract term at least equal to a competing request by any new Eligible Customer and to pay the current just and reasonable rate, as established by EWEB, for such service.

## 3 Ancillary Services

Ancillary Services are needed with transmission service to maintain reliability within EWEB's transmission system. EWEB shall provide Scheduling, System Control and Dispatch service as part of its point-to-point transmission services provided hereunder. Other Ancillary Services may be provided pursuant to a Service Agreement Exhibit specifying the applicable rates, terms and conditions for such services.

For Ancillary Services that EWEB is unable to provide because it is not a Balancing Authority, EWEB may act as the Transmission Customer's agent to secure these Ancillary Services from the Balancing Authority. The Transmission Customer may elect to (i) have EWEB act as its agent, (ii) secure the Ancillary Services directly



from the Balancing Authority, or (iii) secure the Ancillary Services from a third party or by self-supply when technically feasible.

**4 Open Access Same-Time Information System (OASIS)**

EWEB is not a participant in the OASIS system at this time.

**5 Tax-Exempt Bonds**

**5.1 Facilities Financed by Tax-Exempt Bonds:** EWEB utilizes state and federal income tax-exempt financial instruments on an ongoing basis to fund the ownership and operation of its transmission system. Notwithstanding any other provision of this Policy, EWEB shall not be required to provide transmission service to any Eligible Customer if the provision of such transmission service would jeopardize the tax-exempt status of any bond(s) used to finance EWEB's facilities that would be used in providing such transmission service.

**6 Reciprocity**

A Transmission Customer receiving transmission service agrees to provide comparable transmission service that it is capable of providing to EWEB on similar terms and conditions over facilities used for the transmission of electric energy owned, controlled or operated by the Transmission Customer and over facilities used for the transmission of electric energy owned, controlled or operated by the Transmission Customer's corporate affiliates. A Transmission Customer that is a member of a power pool or Regional Transmission Group also agrees to provide comparable transmission service to the members of such power pool and Regional Transmission Group on similar terms and conditions over facilities used for the transmission of electric energy owned, controlled or operated by the Transmission Customer and over facilities used for the transmission of electric energy owned, controlled or operated by the Transmission Customer's corporate affiliates.

This reciprocity requirement applies not only to the Transmission Customer that obtains transmission service, but also to all parties to a transaction that involves the use of transmission service, including the power seller, buyer and any intermediary, such as a power marketer. This reciprocity requirement also applies to any Eligible Customer that owns, controls or operates transmission facilities that uses an intermediary, such as a power marketer, to request transmission service. If the Transmission Customer does not own, control or operate transmission facilities, it





must include in its Application a sworn statement of one of its duly authorized officers or other representatives that the purpose of its Application is not to assist an Eligible Customer to avoid the requirements of this provision.

## 7 Billing and Payment

- 7.1 Billing Procedure:** No later than the 10th day of each month, EWEB shall submit an invoice to the Transmission Customer for the charges for all services furnished under the Policy during the preceding month. The invoice shall be paid by the Transmission Customer by the 20<sup>th</sup> day of each month. All payments shall be made in immediately available funds payable to EWEB, or by wire transfer to a bank named by EWEB.
- 7.2 Interest on Unpaid Balances:** Interest on any unpaid amounts shall be equal to the prime rate value published in the Wall Street Journal on the first business day that the balance became due and payable. Interest on delinquent amounts shall be calculated from the due date of the bill to the date of payment. When payments are made by mail, bills shall be considered as having been paid on the date of receipt by EWEB.
- 7.3 Customer Default:** In the event the Transmission Customer fails, for any reason other than a billing dispute as described below, to make payment to EWEB on or before the due date as described above, and such failure of payment is not corrected within thirty (30) calendar days after EWEB notifies the Transmission Customer to cure such failure, a default by the Transmission Customer shall be deemed to exist. Upon the occurrence of a default, EWEB may initiate a termination of service according to its established service termination procedures, but shall not terminate service until the customer has been contacted. In the event of a billing dispute between EWEB and the Transmission Customer, EWEB will continue to provide service under the Service Agreement as long as the Transmission Customer (i) continues to make all payments not in dispute, and (ii) pays the portion of the invoice in dispute when due, pending resolution of such dispute. If the Transmission Customer fails to meet these two requirements for continuation of service, then EWEB may provide notice to the Transmission Customer of its intention to suspend service.

## 8 Accounting for EWEB's Use of Transmission Services

EWEB shall record the following amounts, as outlined below.



- 8.1 Transmission Revenues:** Include in a separate operating revenue account or subaccount the revenues it receives from Transmission Service when making Third-Party Sales under Part II of the Policy.
- 8.2 Study Costs and Revenues:** Include in a separate transmission operating expense account or subaccount, costs properly chargeable to expense that are incurred to perform any System Impact Studies or Facilities Studies which EWEB conducts to determine if it must construct new transmission facilities or upgrades necessary for its own uses, including making Third- Party Sales; and include in a separate operating revenue account or subaccount the revenues received for System Impact Studies or Facilities Studies performed when such amounts are separately stated and identified in the Transmission Customer's billing.

**9 Regulation by the EWEB Board of Commissioners**

EWEB is regulated by a locally-elected Board of Commissioners (the "Regulatory Authority") and is exempt from the jurisdiction of the Federal Energy Regulatory Commission under Sections 205 and 206 of the Federal Power Act.

Nothing contained in the Policy or any Service Agreement shall be construed as affecting in any way the right of EWEB's Regulatory Authority to unilaterally make a change in the rates, terms and conditions, charges, classifications of service, Service Agreements, rules or regulations associated with the transmission service provided hereunder.

Nothing contained in the Policy or any Service Agreement shall be construed as affecting in any way the ability of any Party receiving service to exercise its rights to be heard by the EWEB's Regulatory Authority in a public process.

**10 Force Majeure and Indemnification**

- 10.1 Force Majeure:** An event of Force Majeure means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any Curtailment, order, regulation or restriction imposed by governmental military or lawfully established civilian authorities, or any other cause beyond a Party's control. A Force Majeure event does not include an act of negligence or intentional wrongdoing. Neither



EWEB nor the Transmission Customer will be considered in default as to any obligation under this Policy if prevented from fulfilling the obligation due to an event of Force Majeure.

However, a Party whose performance is hindered by an event of Force Majeure shall give prompt written notice of such fact to the other party, and shall exercise due diligence to remove such hindrance with all reasonable dispatch. In no case shall the unavailability of funds be deemed to be a Force Majeure event.

- 10.2 Indemnification:** To the extent allowed by law, the Transmission Customer shall at all times indemnify, defend, and save EWEB and its Regulatory Authority harmless from, any and all damages, losses, claims, including claims and actions relating to injury to or death of any person or damage to property, demands, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from EWEB's performance of its obligations under this Policy on behalf of the Transmission Customer, except in cases of negligence or intentional wrongdoing.

## **11 Creditworthiness**

For the purpose of determining the ability of the Transmission Customer to meet its obligations related to service hereunder, EWEB may require reasonable credit review procedures. This review shall be made in accordance with standard commercial practices. In addition, EWEB may require the Transmission Customer to provide and maintain in effect during the term of the Service Agreement, an unconditional and irrevocable letter of credit as security to meet its responsibilities and obligations, or an alternative form of security proposed by the Transmission Customer and acceptable to EWEB and consistent with commercial practices established by the Uniform Commercial Code that protects EWEB against the risk of non-payment.

## **12 Dispute Resolution Procedures**

- 12.1 Internal Dispute Resolution Procedures:** Any dispute between a Transmission Customer and EWEB involving transmission service (excluding applications for rate changes or other changes to the Policy, or to any Service Agreement entered into under the Policy, which shall be presented directly to the Regulatory Authority for resolution) shall be referred to a designated senior representative of EWEB and a senior



representative of the Transmission Customer for resolution on an informal basis as promptly as practicable. In the event the designated representatives are unable to resolve the dispute within thirty (30) days [or such other period as the Parties may agree upon] by mutual agreement, such dispute may be presented to EWEB's Regulatory Authority for consideration and resolution. If the parties remain unable to resolve the dispute following consideration by the Regulatory Authority, and the Regulatory Authority agrees to allow external arbitration, it may be resolved in accordance with the external arbitration procedures set forth below.

**12.2 External Arbitration Procedures:** Any external arbitration initiated and authorized by the Board shall be conducted according to the applicable regional transmission association's established Alternative Dispute Resolution procedures. Each of the Parties shall have an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and any applicable rules.

**12.3 Arbitration Decisions:** The arbitrators shall be authorized only to interpret and apply the provisions of the Policy and any Service Agreement entered into under the Policy and shall have no power to modify or change any of the above in any manner.

The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having Jurisdiction. The final decision of the arbitrators must also be reviewed and approved by EWEB's Regulatory Authority if it affects jurisdictional rates, terms and conditions of service or facilities.

**12.4 Costs:** Each Party shall be responsible for its own costs, including attorney's fees, incurred during the arbitration process and a proportionate share of common costs. The cost of the arbitrators shall be borne by the party whose proposal is not accepted by the arbitrator(s).

## II. POINT-TO-POINT TRANSMISSION SERVICE

### Preamble

EWEB will provide Point-To-Point Transmission Service pursuant to the applicable rates, terms and conditions of this Policy. Point-To-Point Transmission Service is for the receipt



of capacity and energy at designated Point(s) of Receipt and the transmission of such capacity and energy to designated Point(s) of Delivery.

### **13 Nature of Point-To-Point Transmission Service**

**13.1 Term:** The minimum term of Point-To-Point Transmission Service shall be one (1) hour, and the maximum term shall be specified in the Service Agreement.

**13.2 Reservation Priority:** Long-Term Point-To-Point Transmission Service shall be available on a first-come, first-served basis, i.e. in the chronological sequence in which each Transmission Customer has reserved service. Reservations for Short-Term Point-To-Point Transmission Service will be conditional based upon the length of the requested transaction. If the Transmission System becomes oversubscribed, requests for longer term service may preempt requests for shorter term service up to the following deadlines: one day before the commencement of daily service, one week before the commencement of weekly service, and one month before the commencement of monthly service. Before the conditional reservation deadline, if available transmission capability is insufficient to satisfy all Applications, an Eligible Customer with a reservation for shorter term service has the right of first refusal to match any longer term reservation before losing its reservation priority. A longer term competing request for Short-Term Point-To-Point Transmission Service will be granted if the Eligible Customer with the right of first refusal does not agree to match the competing request within 24 hours (or earlier if necessary to comply with the scheduling deadlines provided in Section 13.8) from being notified by EWEB of a longer-term competing request for Short-Term Point-To-Point Transmission Service. After the conditional reservation deadline, service will commence pursuant to the terms of Part II of the Policy. Point-To-Point Transmission Service will always have a reservation priority over Point-To-Point Transmission Service. All Long-Term Point-To-Point Transmission Service will have equal reservation priority with Native Load Customers. Reservation priorities for existing service customers are provided in Section 2.2.

**13.3 Use of Transmission Service by EWEB:** EWEB will be subject to the rates, terms and conditions of Part II of the Policy when making Third-Party Sales under (i) agreements executed on or after January 1,



1998. EWEB will maintain separate accounting, pursuant to Section 8, for any use of the Point-To-Point Transmission Service to make Third-Party Sales.

- 13.4 Service Agreements:** EWEB shall offer a standard form Point-To-Point Transmission Service Agreement (Attachment A) to an Eligible Customer when it submits a Completed Application for Long-Term Point-To-Point Transmission Service. EWEB shall offer a standard form Point-To-Point Transmission Service Agreement (Attachment A) to an Eligible Customer when it first submits a Completed Application for Short-Term Point-To-Point Transmission Service. Executed Service Agreements that contain the information required shall be administered by EWEB.
- 13.5 Transmission Customer Obligations for Facility Additions or Redispatch Costs:** In cases where EWEB determines that the Transmission System is not capable of providing Point-To-Point Transmission Service without (1) degrading or impairing the reliability of service to Native Load Customers and other Transmission Customers taking Point-To-Point Transmission Service, or (2) interfering with EWEB's ability to meet prior contractual commitments to others, EWEB will be obligated to expand or upgrade its Transmission System pursuant to the terms of Section 14.4. The Transmission Customer must agree to compensate EWEB for any necessary transmission facility additions pursuant to the terms of Section 20. To the extent EWEB can relieve any system constraint more economically by redispatching EWEB's resources than through constructing Network Upgrades, it shall do so, provided that the Eligible Customer agrees to compensate EWEB pursuant to the terms of EWEB's Interconnection Standard. Any redispatch, Network Upgrade or Direct Assignment Facilities costs to be charged to the Transmission Customer on an incremental basis will be specified in the Service Agreement prior to initiating service.
- 13.6 Curtailment of Transmission Service:** In the event that a Curtailment on EWEB's Transmission System, or a portion thereof, is required to maintain reliable operation of such system, Curtailments will be made on a non-discriminatory basis to the transaction(s) that effectively relieve the constraint. If multiple transactions require Curtailment, to the extent practicable and consistent with Good Utility Practice, EWEB will curtail service to Transmission Customers taking Point-To-Point



Transmission Service on a basis comparable to the curtailment of service to EWEB's Native Load Customers. When EWEB determines that an electrical emergency exists on its Transmission System and implements emergency procedures to Curtail Transmission Service, the Transmission Customer shall make the required reductions upon request of EWEB. However, EWEB reserves the right to Curtail, in whole or in part, any Transmission Service provided under the Policy when, in EWEB's sole discretion, an emergency or other unforeseen condition impairs or degrades the reliability of its Transmission System. EWEB will notify all affected Transmission Customers in a timely manner of any scheduled Curtailments.

**13.7 Classification of Transmission Service:**

- (a) The Transmission Customer taking Point-To-Point Transmission Service may request a modification of the Points of Receipt or Delivery pursuant to the terms of Section 17.1.
- (b) EWEB shall provide deliveries of capacity and energy from the Point(s) of Receipt to the Point(s) of Delivery. Each Point of Receipt at which transmission capacity is reserved by the Transmission Customer shall be set forth in the Point-To-Point Service Agreement for Long-Term Transmission Service along with a corresponding capacity reservation associated with each Point of Receipt. Points of Receipt and corresponding capacity reservations shall be as mutually agreed upon by the Parties for Short-Term Transmission. Each Point of Delivery at which transmission capacity is reserved by the Transmission Customer shall be set forth in the Point-To-Point Service Agreement for Long-Term Transmission Service along with a corresponding capacity reservation associated with each Point of Delivery. Points of Delivery and corresponding capacity reservations shall be as mutually agreed upon by the Parties for Short-Term Transmission. The greater of either (1) the sum of the capacity reservations at the Point(s) of Receipt, or (2) the sum of the capacity reservations at the Point(s) of Delivery shall be the Transmission Customer's Reserved Capacity. The Transmission Customer will be billed for its Reserved Capacity under the terms of Schedule 2 and/or Schedule 2A. The Transmission Customer may not exceed its capacity reserved at each Point of



Receipt and each Point of Delivery except as otherwise specified in Section 17. EWEB shall specify the rate treatment and all related terms and conditions applicable in the event that a Transmission Customer (including Third-Party Sales by EWEB) exceeds its reserved capacity at any Point of Receipt or Point of Delivery.

- 13.8 Scheduling of Point-To-Point Transmission Service:** Schedules for the Transmission Customer's Point-To-Point Transmission Service must be submitted to EWEB no later than 9:30 a.m. of the day prior to commencement of such service. Schedules submitted after 9:30 a.m. will be accommodated, if practicable. Hour-to-hour schedules of any capacity and energy that is to be delivered must be stated in increments of 1,000 kW per hour. Transmission Customers within EWEB's service area with multiple requests for Transmission Service at a Point of Receipt, each of which is under 1,000 kW per hour, may consolidate their service requests at a common point of receipt into units of 1,000 kW per hour for scheduling and billing purposes. Scheduling changes will be permitted up to forty (40) minutes before the start of the next clock hour provided that the Delivering Party and Receiving Party also agree to the schedule modification. EWEB will furnish to the Delivering Party's system operator, hour-to-hour schedules equal to those furnished by the Receiving Party (unless reduced for losses) and shall deliver the capacity and energy provided by such schedules. Should the Transmission Customer, Delivering Party or Receiving Party revise or terminate any schedule, such party shall immediately notify EWEB, and EWEB shall have the right to adjust accordingly the schedule for capacity and energy to be received and to be delivered.

#### **14 Service Availability**

- 14.1 General Conditions:** EWEB will provide Point-To-Point Transmission Service over, on or across its Transmission System to any Transmission Customer that has met the requirements of Section 15.
- 14.2 Determination of Available Transmission Capability:** A description of EWEB's specific methodology for assessing available transmission capability is contained in Attachment C of the Policy. In the event sufficient transmission capability may not exist to accommodate a





service request, EWEB will respond by performing a System Impact Study per the terms of its Interconnection Standard.

- 14.3 Initiating Service in the Absence of an Executed Service Agreement:** EWEB is not obligated to provide transmission service in the absence of a fully executed and currently effective Transmission Service Agreement. If EWEB and the Transmission Customer requesting Point-To-Point Transmission Service cannot agree on all the terms and conditions of the Point-To-Point Service Agreement, EWEB agrees to negotiate in good faith to reach a mutually acceptable resolution. EWEB may, in the absence of an executed Transmission Service Agreement, agree to commence providing Transmission Service subject to the Transmission Customer agreeing to (i) compensate EWEB at whatever rate the Regulatory Authority ultimately determines to be just and reasonable, and (ii) comply with the terms and conditions of the Policy including posting appropriate security deposits in accordance with the terms of Section 16.3.
- 14.4 Obligation to Provide Transmission Service that Requires Expansion or Modification of the Transmission System:** If EWEB determines that it cannot accommodate a Completed Application for Point-To-Point Transmission Service because of insufficient capability on its Transmission System, EWEB will use due diligence to expand or modify its Transmission System to provide the requested Transmission Service, provided the Transmission Customer agrees to compensate EWEB for such costs pursuant to the terms of Section 20. EWEB will conform to Good Utility Practice in determining the need for new facilities and in the design and construction of such facilities. The obligation applies only to those facilities that EWEB has the right to expand or modify.
- 14.5 Deferral of Service:** EWEB may defer providing service until it completes construction of new transmission facilities or upgrades needed to provide Point-To-Point Transmission Service whenever EWEB determines that providing the requested service would, without such new facilities or upgrades, impair or degrade reliability to any existing services.
- 14.6 Other Transmission Service Schedules:** Eligible Customers receiving transmission service under existing agreements with EWEB may continue to receive transmission service under those agreements until



such time as those agreements may be modified to conform to the terms and conditions of service under this Policy.

- 14.7 Real Power Losses:** Real Power Losses are associated with all transmission service. EWEB is not obligated to provide Real Power Losses. The Transmission Customer is responsible for replacing losses associated with all transmission service as calculated by EWEB. The applicable Real Power Loss factor is included in the rates contained in Schedules 2 and 2A.

## **15 Transmission Customer Responsibilities**

- 15.1 Conditions Required of Transmission Customers:** Point-To-Point Transmission Service shall be provided by EWEB only if the following conditions are satisfied by the Transmission Customer:

- a. The Transmission Customer has pending a Completed Application for service;
- b. The Transmission Customer meets the creditworthiness criteria set forth in Section 11;
- c. The Transmission Customer will have arrangements in place for any other transmission service necessary to effect the delivery from the generating source to EWEB prior to the time of service commences;
- d. The Transmission Customer agrees to pay for any facilities constructed and chargeable to such Transmission Customer, whether or not the Transmission Customer takes service for the full term of its reservation; and
- e. The Transmission Customer has executed a Point-To-Point Service Agreement or has agreed to receive service pursuant to Section 14.3.

- 15.2 Transmission Customer Responsibility for Third-Party Arrangements:** Any scheduling arrangements that may be required by other electric systems shall be the responsibility of the Transmission Customer requesting service. The Transmission Customer shall provide, unless waived by EWEB, notification to EWEB identifying such systems and authorizing them to schedule the capacity and energy to be transmitted by EWEB on behalf of the Receiving Party at the Point of Delivery or the Delivering Party at the Point of Receipt. However, EWEB will undertake reasonable efforts to assist the Transmission



Customer in making such arrangements, including without limitation, providing any information or data required by such other electric system pursuant to Good Utility Practice.

## 16 Procedures for Arranging Point-To-Point Transmission Service

**16.1 Application:** A request for Point-To-Point Transmission Service for periods of one year or longer must contain a written Application to: General Manager, Eugene Water & Electric Board, Post Office Box 10148, Eugene, Oregon 97440-2148, at least sixty (60) days in advance of the calendar month in which service is to commence. EWEB will consider requests for such service on shorter notice when feasible. Requests for service for periods of less than one year shall be subject to expedited procedures that shall be negotiated between the Parties within the time constraints provided in Section 16.5. All Point-To-Point Transmission Service requests should be submitted by (i) transmitting the required information to EWEB by telefax, or (ii) providing the information by certified mail. Each of these methods will provide a time-stamped record for establishing the priority of the Application.

**16.2 Completed Application:** A Completed Application shall provide, at a minimum, all of the following information:

- (i) The identity, address, telephone number and facsimile number of the entity requesting service;
- (ii) A statement that the entity requesting service is, or will be upon commencement of service, an Eligible Customer under the Policy;
- (iii) The location of the Point(s) of Receipt and Point(s) of Delivery and the identities of the Delivering Parties and the Receiving Parties;
- (iv) The location of the generating facility(ies) supplying the capacity and energy and the location of the load ultimately served by the capacity and energy transmitted. EWEB will treat this information as confidential except to the extent that disclosure of this information is required by this Policy, by regulatory or judicial order, for reliability purposes pursuant to Good Utility Practice or pursuant to RTG transmission information sharing agreements;



- (v) A description of the supply characteristics of the capacity and energy to be delivered;
- (vi) An estimate of the capacity and energy expected to be delivered to the Receiving Party;
- (vii) The Service Commencement Date and the term of the requested Transmission Service; and
- (viii) The transmission capacity requested for each Point of Receipt and each Point of Delivery on EWEB's Transmission System; customers may combine their requests for service in order to satisfy the minimum transmission capacity requirement. EWEB shall treat this information consistent with prudent standards of confidentiality.

**16.3 Deposit:** A Completed Application for Point-To-Point Transmission Service also shall include a deposit of either one month's charge for Reserved Capacity or the full charge for Reserved Capacity for service requests of less than one month. If the Application is rejected by EWEB because it does not meet the conditions for service as set forth herein, or in the case of requests for service arising in connection with losing bidders in a Request For Proposals (RFP), said deposit shall be returned with interest less any reasonable costs incurred by EWEB in connection with the review of the losing bidder's Application.

The deposit also will be returned with interest less any reasonable costs incurred by EWEB if EWEB is unable to complete new facilities needed to provide the service. If an Application is withdrawn or the Eligible Customer decides not to enter into a Service Agreement for Point-To-Point Transmission Service, the deposit shall be refunded in full, with interest, less reasonable costs incurred by EWEB to the extent such costs have not already been recovered by EWEB from the Eligible Customer. EWEB will provide to the Eligible Customer a complete accounting of all costs deducted from the refunded deposit, which the Eligible Customer may contest if there is a dispute concerning the deducted costs. If a Service Agreement for Point-To-Point Transmission Service is executed, the deposit, with interest, will be returned to the Transmission Customer upon expiration or termination of the Service Agreement for Point-To-Point Transmission Service. Applicable interest shall be computed at the same rate described in



Section 7.2, and shall be calculated from the day the deposit check is credited to EWEB's account.

- 16.4 Notice of Deficient Application:** If an Application fails to meet the requirements of the Policy, EWEB shall notify the entity requesting service within fifteen (15) days of receipt of the reasons for such failure. EWEB will attempt to remedy minor deficiencies in the Application through informal communications with the Eligible Customer. If such efforts are unsuccessful, EWEB shall return the Application, along with any deposit, with interest. Upon receipt of a new or revised Application that fully complies with the requirements of Part II, the Eligible Customer shall be assigned a new priority consistent with the date of the new or revised Application.
- 16.5 Response to a Completed Application:** Following receipt of a Completed Application for Point-To-Point Transmission Service, EWEB shall make a determination of available transmission capability as required in Section 14.2. EWEB shall notify the Eligible Customer as soon as practicable, but not later than thirty (30) days after the date of receipt of a Completed Application either (i) if it will be able to provide service without performing a System Impact Study or (ii) if such a study is needed to evaluate the impact of the Application pursuant to EWEB's Interconnection Standard. Responses by EWEB must, be made as soon as practicable to all completed applications (including applications by its own merchant function) and the timing of such responses must be made on a non-discriminatory basis.
- 16.6 Execution of Service Agreement:** Whenever EWEB determines that a System Impact Study is not required and that the service can be provided, it shall notify the Eligible Customer as soon as practicable but no later than thirty (30) days after receipt of the Completed Application. Where a System Impact Study is required, the provisions of EWEB's Interconnection Standard will govern the execution of a Service Agreement. Failure of an Eligible Customer to execute and return the Service Agreement or request the filing of an unexecuted service agreement pursuant to Section 14.3, within fifteen (15) days after it is tendered by EWEB will be deemed a withdrawal and termination of the Application and any deposit submitted shall be refunded with interest. Nothing herein limits the right of an Eligible Customer to file another Application after such withdrawal and termination.



**17 Changes in Service Specifications**

**17.1 Modifications:** Any request by a Transmission Customer to modify Receipt and Delivery Points shall be treated as a new request for service in accordance with Section 16 hereof, except that such Transmission Customer shall not be obligated to pay any additional deposit if the capacity reservation does not exceed the amount reserved in the existing Service Agreement. While such new request is pending, the Transmission Customer shall retain its priority for service at the existing Receipt and Delivery Points specified in its Service Agreement.

**18 Sale or Assignment of Transmission Service**

**18.1 Procedures for Assignment or Transfer of Service:** Subject to approval by EWEB, a Transmission Customer may sell, assign, or transfer all or a portion of its rights under its Service Agreement, but only to another Eligible Customer (the Assignee). The Transmission Customer that sells, assigns or transfers its rights under its Service Agreement is hereafter referred to as the Reseller. Compensation to the Reseller shall not exceed the higher of (i) the original rate paid by the Reseller, (ii) EWEB's maximum rate at the time of the assignment, or (iii) the Reseller's opportunity cost capped at EWEB's cost of expansion. If the Assignee does not request any change in the Point(s) of Receipt or the Point(s) of Delivery, or a change in any other term or condition set forth in the original Service Agreement, the Assignee will receive the same services as did the Reseller and the priority of service for the Assignee will be, the same as that of the Reseller. A Reseller should notify EWEB as soon as possible after any assignment or transfer of service occurs but in any event, notification must be provided and EWEB approval obtained prior to any provision of service to the Assignee. The Assignee will be subject to all terms and conditions of this Policy. If the Assignee requests a change in service, the reservation priority of service will be determined by EWEB pursuant to Section 13.2.

**18.2 Limitations on Assignment or Transfer of Service:** If the Assignee requests a change in the Point(s) of Receipt or Point(s) of Delivery, or a change in any other specifications set forth in the original Service Agreement, EWEB will consent to such change subject to the provisions



of this Policy, provided that the change will not impair the operation and reliability of EWEB's generation, transmission, or distribution systems. The Assignee shall compensate EWEB for performing any System Impact Study needed to evaluate the capability of the Transmission System to accommodate the proposed change and any additional costs resulting from such change. The Reseller shall remain liable for the performance of all obligations under the Service Agreement, except as specifically agreed to by the Parties through an amendment to the Service Agreement.

**18.3 Information on Assignment or Transfer of Service:** Resellers may use OASIS system to post transmission capacity available for resale.

**19 Compensation for Transmission Service Rates for**

**Point-To-Point Transmission Service are provided in the Schedules appended to the Policy:** EWEB shall use Part II of the Policy to make its Third-Party Sales. EWEB shall account for such use at the applicable rates, pursuant to Section 8.

**20 Stranded Cost Recovery**

EWEB may seek to recover stranded costs as determined by the Regulatory Authority from Transmission Customers served under this Policy when such costs arise from the new availability of non-discriminatory transmission access. The recovery of stranded costs associated with retail-turned-wholesale customers shall apply regardless of whether the customer or its new supplier is requesting or contracting for transmission service.



## **SCHEDULE I**

### **Scheduling, System Control and Dispatch Service**

This service is required to schedule the movement of power through, out of, within, or into EWEB's Transmission System. This service can be provided only by EWEB. Scheduling, System Control and Dispatch Service shall be provided directly by EWEB. The Transmission Customer must utilize this service from EWEB. The charges for Scheduling, System Control and Dispatch Service are included the rates for Point-to-Point Service contained in Schedules 2, 2A, and 4 or as amended in the Transmission Customer's Service Agreement.





**SCHEDULE 2**

**Long-Term and Short-Term Point-To-Point  
Transmission Service  
All Receipt and Delivery Points Excluding McKenzie Substation**

The Transmission Customer shall compensate EWEB each month for reserved capacity at any receipt or delivery points on EWEB's system except the McKenzie Substation at the sum of the applicable charges set forth below:

- 1) **Yearly delivery:** one-twelfth of the demand charge of \$ ~~18.11~~ 19.59 /KW of Reserved Capacity per year.
- 2) **Monthly delivery:** \$ ~~1.51~~ 1.63 /KW of Reserved Capacity per month.
- 3) **Weekly delivery:** \$ ~~.35~~ 0.38 /KW of Reserved Capacity per week.
1. **Daily delivery:** \$ .05 /KW of Reserved Capacity per day. The total demand charge in any week, pursuant to a reservation for Daily delivery, shall not exceed the rate specified in section (3) above times the highest amount in kilowatts of Reserved Capacity in any day during such week.
2. **Discounts:** Any offer of a discount for transmission service made by EWEB will be public information available to all Eligible Customers upon request. Discounted prices for transmission service will be applied on a non-discriminatory basis.
- 6) **Overrun charges:** In the event that the Transmission Customer exceeds its reserved capacity at any applicable receipt and/or delivery points, the Transmission Customer shall pay 150% of the Schedule 2 charges for the term of the delivery period (i.e., yearly, monthly, weekly or daily) over which the Transmission Customer has reserved capacity for the maximum amount by which the Transmission Customer has exceeded its reserved capacity.



**SCHEDULE 2A**

**Long-Term and Short-Term Point-To-Point  
Transmission Service  
McKenzie Substation**

The Transmission Customer shall compensate EWEB each month for reserved capacity at the McKenzie Substation at the sum of the applicable charges set forth below:

- 1) **Yearly delivery:** one-twelfth of the demand charge of \$ 5.36 /KW of Reserved Capacity per year.
- 2) **Monthly delivery:** \$ .45 /KW of Reserved Capacity per month.
- 3) **Weekly delivery:** \$ .10 /KW of Reserved Capacity per week.
- 4) **Daily delivery:** \$ .01 /KW of Reserved Capacity per day. The total demand charge-in any week, pursuant to a reservation for Daily delivery, shall not exceed the rate specified in section (3) above times the highest amount in kilowatts of Reserved Capacity in any day during such week.
- 5) **Discounts:** Any offer of a discount for transmission service made by EWEB will be public information available to all Eligible Customers upon request. Discounted prices for transmission service will be applied on a non-discriminatory basis.
- 6) **Overrun charges:** In the event that the Transmission Customer exceeds its reserved capacity at the McKenzie Substation, the Transmission Customer shall pay 150% of the Schedule 2A charges for the term of the delivery period (i.e. yearly, monthly, weekly or daily) over which the Transmission Customer has reserved capacity for the maximum amount by which the Transmission Customer has exceeded its reserved capacity.



#### SCHEDULE 4

#### Point-To-Point Transformation Service

The Transformation Customer shall compensate EWEB each month for reserved capacity at any receipt or delivery points on EWEB's system except the McKenzie Substation at the sum of the applicable charges set forth below:

- 1) **Yearly delivery:** one-twelfth of the demand charge of \$ ~~19.69~~ 19.19 /KW of Reserved Capacity per year.
- 2) **Monthly delivery:** \$ ~~1.64~~ 1.60 /KW of Reserved Capacity per month.
- 3) **Weekly delivery:** \$ ~~.38~~ 0.37 /KW of Reserved Capacity per week.
3. **Daily delivery:** \$ .05 /KW of Reserved Capacity per day. The total demand charge in any week, pursuant to a reservation for Daily delivery, shall not exceed the rate specified in section (3) above times the highest amount in kilowatts of Reserved Capacity in any day during such week.
4. **Discounts:** Any offer of a discount for transformation service made by EWEB will be public information available to all Eligible Customers upon request. Discounted prices for transformation service will be applied on a non-discriminatory basis.
- 6) **Overrun charges:** In the event that the Transformation Customer exceeds its reserved capacity at any applicable receipt and/or delivery points, the Transformation Customer shall pay 150% of the Schedule 4 charges for the term of the delivery period (i.e., yearly, monthly, weekly or daily) over which the Transformation Customer has reserved capacity for the maximum amount by which the Transformation Customer has exceeded its reserved capacity.

**ATTACHMENT A**

**Form Of Service Agreement For  
Point-To-Point Transmission Service**

- 1.0 This Service Agreement, dated as of \_\_\_\_\_ is entered into, by and between the Eugene Water & Electric Board (EWEB), and \_\_\_\_\_ ("Transmission Customer").
- 2.0 The Transmission Customer has been determined by EWEB to have a Completed Application for Point-To-Point Transmission Service under the Policy.
- 3.0 The Transmission Customer has provided to EWEB an Application deposit in accordance with the provisions of Section 16.3 of the Policy.
- 4.0 Service under this agreement shall commence on the later of (1) the requested service commencement date, or (2) the date on which construction of any Direct Assignment Facilities are completed, or (3) such other date as it is permitted to become effective. Service under this agreement shall terminate on such date as mutually agreed upon by the parties.
- 5.0 EWEB agrees to provide and the Transmission Customer agrees to take and pay for Point-To-Point Transmission Service in accordance with the provisions of Part II of the Policy and this Service Agreement.
- 6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

Eugene Water & Electric Board:

Attn: Engineering Manager  
4200 Roosevelt Blvd  
Eugene, OR 97402

Transmission Customer:

Attn:

7.0 The Transmission Services Policy is incorporated herein and made a part hereof.

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

Eugene Water & Electric Board:

By:

Name

Title

Date

Transmission Customer:

By:

\_\_\_\_\_

Name

\_\_\_\_\_

Title

\_\_\_\_\_

Date

**Specifications For Long-Term Point-To-Point  
Transmission Service**

1.0 Term of Transaction:

Start Date:

Termination Date:

2.0 Description of capacity and energy to be transmitted by Transmission Provider including the Balancing Area in which the transaction originates.

3.0 Point(s) of Receipt:

Delivering Party:

4.0 Point(s) of Delivery:

Receiving Party:

5.0 Maximum amount of capacity and energy to be transmitted

(Reserved Capacity):

6.0 Designation of party(ies) subject to reciprocal service obligation:

7.0 Name(s) of any Intervening Systems providing transmission service:

8.0 Service under this Agreement may be subject to some combination of the charges detailed below. (The appropriate charges for individual transactions will be determined in accordance with the terms and conditions of the Policy.)

8.1 Transmission Charge:

8.2 System Impact and/or Facilities Study Charge(s):

8.3 Direct Assignment Facilities Charge:

8.4 Ancillary Services Charges:

**ATTACHMENT C**

**Methodology To Assess Available Transmission Capability**

The Transmission Provider will assess the capability of the transmission system to provide the requested service in accordance with the criteria and process as described in the document, "Available Transfer Capability Implementation Document (MOD-001)," most current version.



**ATTACHMENT E**

**Index Of Point-To-Point Transmission Service Customers**

Customer	Date of Service Agreement
University of Oregon	December 6, 2012
Springfield Utility Board	October 1, 2015
Portland General Electric Merchant	December 1, 2015

**Attachment 3**  
**Water Connection Charges**

The Water Service Installation Charges were last updated in 2013 with Resolution No. 1319. The Service Installation Charges are updated as shown below to reflect increases in construction, material, and labor costs over the past 10 plus years. Currently these costs are charged approximately 60 times per year.

The phased-in approach applies three years to achieve the current cost of service. This provides a balance between the *cost of service* and *gradualism* rate making principles. The second and third year have each been escalated by 3% annually to track with overall inflationary pressures.

**Table 4: Current and Proposed Water Service Installation Charges**

Meter Size	Current	Phase 1 (2024)	Phase 2 (2025)	Phase 3 (2026)
1" x less than 1"	\$2,750	\$3,400	\$4,100	\$4,800
1" x 1"	\$2,850	\$3,500	\$4,200	\$4,900

The remainder of the charges below were initiated in October 2017 with Resolution No. 1725. These costs are associated with new development, primarily main extensions for new subdivisions. Similar to the service installation charges above, a phased-in approach is taken with respect to having these costs reflect current cost of service.

The Financial Guarantee is required prior to approval of a plat for a subdivision. These guarantees are typically in the form of a bond or letter of credit. These charges apply to subdivision developers and not to individual customer accounts.

**Table 5: Current and Proposed Financial Guarantee**

	Current	Phase 1 (2024)	Phase 2 (2025)	Phase 3 (2026)
Cost per foot of pipe (up to 8")	\$130	\$135	\$140	\$150
Cost per service	\$1,300	\$1,800	\$2,300	\$2,700

The System Connection Fee is for costs incurred by EWEB to physically connect the newly constructed main extension into EWEB's system. These charges apply to subdivision developers and not necessarily to customer accounts.

**Table 6: Current and Proposed System Connection Fee**

	Current	Phase 1 (2024)	Phase 2 (2025)	Phase 3 (2026)
Cost per System Connection (with hard surface restoration)	\$9,000	\$11,300	\$13,600	\$15,900
Cost per System Connection (with no	\$6,500	\$7,900	\$9,300	\$10,600

hard surface restoration)				
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The Disinfectant and Hydrant Testing Fee is for EWEB staff to disinfect new main extensions prior to connecting into EWEB system. Once connected, flow tests are completed for all fire hydrants. The current and proposed rates are shown below in Table 7.

The disinfection cost was previously charged per foot, but it was determined that this is more appropriate as a lump sum charge as the cost basis reflects a crew mobilization and work that is not affected significantly by pipe length. These charges apply to subdivision developers and not necessarily to individual customer accounts.

**Table 7: Current and Proposed Disinfectant and Hydrant Testing Fee**

	Current	Proposed
Disinfection Cost	\$3 per foot	\$1,250 lump sum, not per foot
Cost of Hydrant Test	\$300	\$500

The Inspection and Permit Fee is for EWEB staff to provide periodic inspection of new main extension and witness all pressure tests for new systems. EWEB also obtains the City Permits. These charges apply to subdivision developers and not necessarily to individual customer accounts.

**Table 8: Current and Proposed Inspection and Permit Fee**

	Current	Phase 1 (2024)	Phase 2 (2025)	Phase 3 (2026)
Cost per Foot (Inspection)	\$2 per foot	\$3 per foot	\$3.50 per foot	\$4 per foot

The proposed redline to the Customer Service Policy is provided below.



**C. Water Service Installation Charges**  
(Resolution No. 1319)

Service Installation Charge (New or Preinstalled, including Meter)

1" x < 1" .....	<del>\$2750.00</del> 3,400
1" x 1" .....	<del>\$2850.00</del> 3,500
1 ½ " and larger .....	At Estimated Cost

In addition to the above, whenever a new service installation requires an excavation or other action that damages a street under the City Street Cut Moratorium, an additional amount equal to the fine levied by the City will be added to the Service Installation Charge

**L. Financial Guarantee**

The Oregon Revised Statutes require the receipt of a financial guarantee prior to the approval of a plat for a subdivision to ensure that a water supply will be installed to every lot line in the subdivision. This guarantee, which is intended to ensure construction of the water system is completed, is normally in the form of a bond or letter of credit which is released upon completion of construction.

The financial guarantee amount is based on the total of two items, a unit price per foot of pipe and the number of services:

Cost per foot of pipe (up to 8-inch diameter – costs for pipe greater than 8-inch will be estimated)	<del>\$130</del> 135
Cost per service	<del>\$1,300</del> 1,800

**M. System Connection Fee**

This fee is for the costs incurred by EWEB to physically connect the newly constructed main extension into EWEB’s live water system.

**System Connection Fee – With Hard Surface Restoration** (removal and replacement of an asphalt or concrete surface is required)

Cost per system connection (up to 8-inch diameter – costs for pipe greater than 8-inch will be estimated)	<del>\$9,000</del> 11,300
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**System Connection Fee – No Hard Surface Restoration** (removal and replacement of an asphalt or concrete surface is NOT required)



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Cost per system connection (up to 8-inch diameter – costs for pipe greater than 8-inch will be estimated)	<del>\$6,500</del> 7,900
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### N. Disinfection and Hydrant Testing Fee

EWEB operations staff disinfects all new main extensions prior to connecting into EWEB's live system. Once connected, flow tests are completed for all fire hydrants. The fees below are for the costs incurred due to these activities:

Disinfection Cost	<del>\$3-per foot</del> 1250 lump sum, not per foot
Cost per hydrant test	<del>\$300</del> 500

### O. Inspection and Permit Fee

EWEB Engineering staff provide periodic inspection of new main extensions and witness all pressure tests for the new systems. EWEB also obtains the City Permit for work within the Public Right-of-Way and passes this on to the Developer/Customer. The fees below are for the costs incurred due to these activities:

Inspection Cost (not disinfected)	<del>\$2</del> 3
Pressure Test	\$320
Permit Cost	Calculated by City

**Attachment 4  
Dark Fiber Lease**

In 2013, Board Resolution No. 1304 established a dark fiber lease rate. In Board Resolution No. 1705, the intention to develop an updated fiber cost of service model (COSA) every other year was established. A CPI adjustment is typically recommended in years without a full COSA to modify rates.

In 2023, an increase was approved with Resolution No. 2307 to adjust fiber rates based on the COSA methodology. Therefore, the current proposal is based on the 3.2% CPI adjustment. The table below reflects the current and proposed fiber rates, based on the CPI methodology. The rates reflect the cost per strand-mile month.

**Table 9: Current and Proposed Dark Fiber Lease**

<b>Customer Type</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Public Agencies	\$31.89	32.91
School District	\$5.67	5.85
For-Profit	\$63.78	65.82

There are 31 entities charged under this tariff, which represents approximately \$960,000 in annual revenue for the electric utility.

The proposed redline to the Customer Service Policy is provided below.



**Q. Dark Fiber Lease**

1. Availability

EWEB’s fiber optic cables run through public right-of-way and are owned and maintained by EWEB. This Price Schedule applies to public agencies and higher-level educational institutions as well as medical service providers within EWEB’s service territory, with the exception of any other price that may apply under a separate agreement or Price Schedule.

2. Character of Service

EWEB’s Dark Fiber Lease Price Schedule (DFL-1) pertains to the available surplus fiber strands contained within EWEB’s existing fiber-optic system, covering the Eugene metropolitan area and other areas within EWEB’s service territory. Subscribing to EWEB’s Dark Fiber Lease allows the interconnecting entity to obtain an indefeasible right of use of allocated EWEB-owned fiber strands for the purpose of transmitting voice, data and/or video signals between locations.

3. Interconnection

The Customer is responsible for providing a complete Conduit path from the termination point inside their facility to EWEB Facilities near the Customer premise, in accordance with EWEB’s Fiber Optic Customer Standards. All Customer provided Conduit pathway facilities and patch panels shall be inspected and approved by EWEB prior to connection of the lateral extension. After connectivity, EWEB will own and maintain all Facilities up to and including the patch panel.

4. Advance Engineering Fee

All prospective EWEB Dark Fiber Lease subscribers must work with EWEB to complete an Advance Engineering Estimate of the cost and schedule for EWEB to provide dark fiber connectivity. A non-refundable \$500.00 fee is required prior to completing the Advance Engineering Estimate.

Advance Engineering Fee..... \$500.00  
(Resolution No. 1304)

5. Construction Agreement

A signed “Dark Fiber Optic Circuit Construction Agreement” is required by EWEB before commencement of the detail Engineering design and construction of the lateral extension.

6. Non-Recurring Charges



# Eugene Water & Electric Board

## Customer Service Policy

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The Customer shall pay an amount equal to 100 percent of the actual design and construction costs, payable upon completion of Dark Fiber connectivity.

### 7. Recurring Charges

The monthly charge for Dark Fiber Lease is determined by multiplying the length of the subscribed fiber strand(s) times the current monthly price. The length of each fiber strand is determined from EWEB's Geographic Information System (GIS) Fiber Manager Application rounded up to the nearest one-half mile length. This information will be recorded in the Lease Agreement.

Dark Fiber Lease bills shall be rendered quarterly.

**2024-2025 Monthly Price per Strand Mile\* .....\$31,8932.91**

(Resolution No. TBD)

Note: \*The Dark Fiber Lease Price Schedule will be adjusted annually based on updated Cost of Service Analysis (COSA) or the City of Portland Consumer Price Index if no COSA was performed. (Resolution No. 1907)

Dark Fiber Lease price to for-profit commercial customers shall be two-times the above published public purpose price. (Resolution No. 1705)

### 8. General Terms and Conditions

Service under this schedule is subject to the policies and procedures of EWEB.





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### Attachment 5 Traffic Signals / Beacon Lights

The City of Eugene and EWEB track the installation of traffic control devices and the wattage associated with each device. These accounts are not metered individually and rely on fixed wattage assumptions. Therefore, the basic charge is adjusted to remove the meter, meter reading, and meter maintenance costs.

The last update to these rates was in 2016 and therefore the compound annual growth rate is presented for reference.

**Table 9: Current and Proposed Traffic Signal and Beacon Light Rates**

Customer Type	Current Rate	Proposed Rate	CAGR
Basic Charge	\$23.96	\$28.75	2.3%
Energy Charge	\$0.07445	\$0.08048	1.0%

There are just under 350 locations and EWEB collects approximately \$35,000 of revenue annually.

**RESOLUTION NO. 2409  
JUNE 2024**

**EUGENE WATER & ELECTRIC BOARD  
RESOLUTION APPROVING REVISION TO  
ELECTRIC FEES IN CUSTOMER SERVICE POLICY**

**WHEREAS**, The Eugene Water & Electric Board (EWEB) intends to consolidate its fee and rate updates to the extent possible and practical;

**WHEREAS**, EWEB sets its prices based on the cost of service;

**WHEREAS**, EWEB presented updated pricing that reflect its current cost of services as shown below;

- A) Attachment 1, Pole Attachment / Joint Use Fees of the June 2024 Board agenda item;
- B) Attachment 2, Transmission Services Fee of the June 2024 Board agenda item;
- C) Attachment 4, Dark Fiber Lease Fee of the June 2024 Board agenda item;
- D) Attachment 5, Traffic Signal / Beacon Lights of the June 2024 Board agenda item;

**WHEREAS**, the abovementioned fees and charges conform with respective “indefeasible Rights of Use Agreements” (IRUs), and “Intergovernmental Agreements (IGAs); applicable EWEB policy; OPUC rules; and state, local and federal laws.

**THEREFORE, BE IT RESOLVED** that the Eugene Water & Electric Board hereby authorizes the General Manager to amend the effective fees and charges above as proposed in the June 4, 2024, Board agenda item.

Dated this 4<sup>th</sup> day of June 2024

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

\_\_\_\_\_  
President

I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its June 4, 2024, Regular Board Meeting.

\_\_\_\_\_  
Assistant Secretary

**RESOLUTION NO. 2410  
JUNE 2024**

**EUGENE WATER & ELECTRIC BOARD  
RESOLUTION APPROVING REVISION TO  
WATER FEES IN CUSTOMER SERVICE POLICY**

**WHEREAS**, The Eugene Water & Electric Board (EWEB) intends to consolidate its fee and rate updates to the extent possible and practical;

**WHEREAS**, EWEB sets its prices based on the cost of service;

**WHEREAS**, EWEB presented updated pricing that reflect its current cost of services as shown in Attachment 3, Water Connection Charges of the June 2024 Board agenda item;

**NOW THEREFORE, BE IT RESOLVED**, that the Eugene Water & Electric Board does hereby resolve to adopt the revisions of Customer Service Policies as so revised.

DATED this 4<sup>th</sup> day of June, 2024.

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

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President

I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its June 4, 2024, Regular Board Meeting.

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Assistant Secretary