

Citizens Finance Advisory Committee
FISCAL YEAR 2009 BUDGET RECOMMENDATION
Presented to the
Board of Directors
Emerald People's Utility District
November 25, 2008

It has been my pleasure to serve as Chairman of the Citizens Finance Advisory Committee this year, and tonight it is my pleasure to present to the Board of Directors the proposed 2009 Annual Budget. This budget was approved for Recommendation to the Board by unanimous vote of the Committee.

The citizen representatives serving on this year's Finance Committee included Larry Bottemiller, Vicki Flynn, Hal Conner, and myself. The Committee met one time on November 6th, 2008.

The Board of Directors has in front of them a proposed Resolution to adopt the 2009 System Operating Budget. The General Manager and other Emerald staff will review specific details of the budget for the Public Hearing, so I will limit my remarks to some general comments.

This is the fourteenth of Emerald's budgets I have worked on for the utility. The 2009 Budget, as proposed takes into account a rate increase of 5% in May 2009 with the last rate increase effective on September 1, 2007. There was no rate increase in 2008.

The 2009 budget includes a 50% partnership with Symbiotics LLC to generate power from the dam at Dorena Lake. A license was granted in October 2008 and Emerald's share of the engineering phase is in the amount of \$600,000 with construction to begin within 9 months. The other project at Fall Creek will take 2-3 years to know if a license will be granted; and the 2009 budget has allocated \$500,000 for Emerald's share of the permit process in 2009.

The 2009 budget also includes the following capital expenditures: Reinsulate transmission line and reconductor distribution north of Elmira \$794,000, add a 115KV metering point for reconnection to BPA near the Cheshire substation \$50,000, add reclosures to distribution system \$90,000, replace power fuses with circuit switchers in Cheshire, Pleasant Hill and Creswell \$83,000, replace breakers at Cheshire \$80,000 and \$140,000 for a new phone system that is beginning to shows signs of failure.

Additionally, the 2009 budget will have a shortfall of \$1,176,516 over revenue and be paid from cash reserves; however this may be offset with Emerald proposing a bond issue in the amount of \$7 million in 2009 provided the financial markets settle down and a favorable rate can be obtained. The committee recommended against borrowing if at all possible during these turbulent times as the cost to the utility could be prohibitive.

Decreases to the budget included \$1,101,000 in capital expenses in the Natron and Mt. Vernon substation areas and \$400,000 for the Crossroads engineering. The Fiscal Year 2009 Budget is \$585,048 less than the 2008 projected expenditures and \$961,146 more than the 2007 actual.

Emerald's service area, which encompasses approximately 550 square miles in Lane County, has seen continual growth in the past few years that has brought the number of customers served to 20,000 as of 10/31/08 and was 19,704 as of 10/31/07. This compares to a count of approximately 12,700 when the utility first went into business. For your information the budget cost per customer is as follows: 2007 \$2,104 and 2008 \$1,941

The proposed 2009 Budget provides for continuation of a variety of energy services and other "value added" programs to its customer-owners, such as the Internet service and Emerald Energy Services, green power generation and future new hydro generation from Dorena and Fall Creek dams. These services will help insure Emerald's diversity and continued active participation with each individual customer-owner in their resource choices.

The total amount of the proposed 2009 Budget is \$40,776,962; however due to the volatility of the financial markets and a potential 15% increase from BPA in 2009 the committee made a motion along with their recommendation for this budget that includes deferring to staff for suggestions on other capital expenses, pending Board approval and reconvening the Finance Committee at a future date to discuss/revisit certain issues. I am pleased to forward the unanimous recommendation of the Citizens Finance Advisory Committee for your consideration.

I want to thank my fellow Committee members for allowing me to serve as their Chairman. I also thank the Board for their continued support for involving the customer-owners of Emerald PUD in the details of the utility's operation.

Sincerely,

Robert J. Ball
Chairman