



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning, and Brown
FROM: Mel Damewood, Engineering Manager
DATE: July 27, 2015
SUBJECT: EL-1 Capital Report for Q2 2015
OBJECTIVE: Information Only

Issue

As per EWEB's EL1 Financial Policy that was approved on February 4, 2014, EWEB staff has prepared and attached the 2nd Quarter Capital Report for Electric, Water, and Shared Services for the Board.

Background

According to Financial Policy EL1:

Throughout the year, staff will provide the Board with quarterly financial reports that compare actual results with budget. Additionally, staff will provide the Board with quarterly updates for all current year projects on the Capital Improvement Plans. General Capital Renewal and Replacement projects (Type I) will be reported by category (e.g., substations, shared IT infrastructure, transmission & distribution mains). Infrastructure Rehabilitation & Expansion (Type II) and Strategic Projects (Type III) will be reported individually. Type II and III projects are further defined as those that are projected to be greater than \$1 million for the life of the project.

Management has attached three reports, Electric, Water and Shared Services Capital Q2 results for the Board's review.

Discussion

There are a few changes that need to be noted in the Q2-2015 E11 Report. The Q2 report reflects the changes from the May True-Up that the Board approved and other "Shared Services" budget changes to align the EL1 report with project budgets in the WAM system. Reports using WAM data continue to be developed and refined.

Also, in the Water Capital there are projected over-runs in the "Mains" and "Meter & Services" category. These projections will first be managed through balancing the overall 2015 water capital budget by under-running other categories. If a balance cannot be achieved, management will be recommending a budget amendment for those areas later this year. These over-runs are due to a

variety of factors including: earlier 2015 emphasis on internal EWEB water main work during a “lull” in LTD/EMX work and to catch up from 2014 and a couple of emergent projects.

Management will be recommending that the Board approve a resolution to reimburse capital reserves with the bond funds from the anticipated April 2016 issuance. Statute allows capital expenditures made within 60 days of the Board adopting a resolution to be reimbursed with future tax exempt bond proceeds. This allows agencies to reduce how often bonds are issued resulting in lower issuance costs. The budget amendment (if required), the bond authorizing resolution and the reimbursement resolution will be presented at the September Board Meeting.

Recommendation and Action

This is an information item only, no action required. If you have any questions or wish to make comments on the reports please contact Mel Damewood a 541-685-7145 or email at mel.damewood@eweb.org

Capital "EL-1" Report: Electric, 2015-Q2

Type 1 - General Capital

Capital Category	2015 thru Q2			Status/Comments
	Budget (Includes Amendments)	YTD Actual	Year-End Projection	
Electric Infrastructure - Generation	\$1,200,000	\$431,543	\$900,000	● Implementation delays will shift a quarter to a third of planned spending into 2016 (ZINNIKER)
Electric Infrastructure - Substations & Telecom	\$2,000,000	\$789,633	\$2,000,000	● Hilyard Breaker Replacement project on track for end-of-August completion, within budget. Prairie RTU (controls) replacement was completed on time, at 90% of budget. Prairie breakers are scheduled for early 2016. (LAWSON)
Electric Infrastructure - Transmission & Distribution	\$8,200,000	\$3,381,316	\$7,000,000	● Budget includes \$4.0 M in customer-driven capital (re-imbursed) and \$4.2 M in T&D work, mostly distribution PUC tasks. The PUC pole replacement effort is ahead of schedule. Customer-Driven work, distribution transformer replacements and PUC neutral extensions are tracking lower than projected budgets. (FRASER)

In the future, these categories will match the Capital Improvement Plans (CIPs) submitted by Water & Electric.

Type 1 - General Capital is budgeted Year-by-Year for recurring capital expenditures from January through December. Type 1 Capital includes categorized collections of projects of less than \$1 million. Typical examples include "pole replacements" as part of Transmission & Distribution. This work typically involves many small projects that up to \$1.2-\$1.7 million per year.

Type 2 projects have "discrete" scopes, schedules (launch through completion), and cost over \$1MM during the project life.

Type 2 Rehabilitation & Expansion Projects

Project	2015 thru Q1			Project Total			Schedule			Status/Comments
	Budget (Includes Amendments)	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Leaburg Roll Gate #2 Re-Build	\$1,600,000	\$1,422,119	\$1,450,000	\$1,600,000	\$2,919,247	\$2,950,000	Jul-2012	Jun-2014	Feb-2015	● Project completed in February 2015.
Leaburg Roll Gate #1 Re-Build	\$2,000,000	\$13,403	\$2,000,000	\$2,000,000	\$13,403	\$2,000,000	Mar-2015	Nov-2015	Nov-2015	● Emergent project due to failure of RG No. 1 hoist system in December 2014. CIP updated accordingly and Board approved construction contract amendment as part of the April True-Up.
Leaburg Roll Gate #3 Re-Build	\$400,000	\$0	\$400,000	\$1,550,000	\$0	\$1,550,000	Dec-2015	Nov-2016	Nov-2016	● Emergent project due to failure of RG No. 1 hoist and subsequent order from the FERC to replace RG No. 3 hoist system due to critical dam safety equipment reliability concerns. CIP updated accordingly and Board approved construction contract amendment as part of the April True-Up.
LTD EmX Project (Electric)	\$3,370,000	\$213,318	\$3,000,000	\$5,700,000	\$781,037	\$7,548,000	Sep-2013	---	Jun-2016	● Electric relocation design was released for bidding. Substructure contract approved by Board. LTD's design team is delayed in pursuing easements so EWEB electric work will be delayed, pushing more work into next year and winter months. (THOMAS)
Upriver Re-Configuration/Holden Ck. Substation	\$500,000	\$15,090	\$500,000	\$3,000,000	\$26,290	\$3,000,000 (See Comments)	Jan-2014	Oct-2015	Oct-2016	● Design is progressing toward a 2015 completion. We will have updated scope and budget by the end of Q3, 2015. Construction is scheduled for 2016, with final energizing based on BPA schedule - late 2016/early 2017. (LAWSON)
Downtown Distribution Network	\$1,000,000	\$27,585	\$600,000	\$15,000,000	\$4,483,294	\$20,000,000	Sep-2010	Dec-2015	Dec-2019	● 2015 work includes equipment-based replacements in one or two key vaults. Analysis of technology to allow more distributed generation (DG) in Network are forecasted for late 2015. (FRASER)

Type 3 - Strategic Projects & Programs

Project	2015 thru Q1			Project Total			Schedule			Status/Comments
	Budget (Prior to April Amendments)	YTD Actual	Year-End Projection (incl. April Admndments)	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
AMI Deployment - Meter Acquisition Costs										● See Shared Services Report
Carmen Smith License Implementation	\$6,800,000	\$2,310,555	\$5,000,000	\$135,000,000	\$36,440,158	\$181,000,000	May-2009	Dec-2021	Dec-2025	● Original \$135M equal to approx \$166M in 2015 dollars. Continued uncertainty regarding license; renegotiation effort underway; implementing 5-year plan to address aging infrastructure at Carmen Powerhouse, gantry crane rehab and other delays causing shift of some 2015 expenses into 2016 (ZINNIKER, BOYLE)

Water Capital Projects Quarterly Status Report 2015-Q2

Type 1 - General Capital

Project	2015			Status/Comments
	Budget	YTD Actual	Year-End Projection	
Source - Water Intakes & Filtration Plant	\$575,000	\$343,735	\$575,000	● Includes AWS expenditures through first quarter. These will be charged as Type 3 work for rest of year.
Mains - Replacements, Improvements, & Transmis	\$4,307,500	\$3,945,664	\$5,610,000	● Higher than anticipated main replacement costs combined with several opportunity and emergent projects leading to higher than anticipated expenditures.
Services and Meters	\$927,000	\$775,367	\$1,330,000	● Increased development and shift of service replacement costs from O&M to Capital have expenditures increasing above budget.
Pump Stations	\$751,000	\$219,369	\$750,000	● Includes new Shasta 1150 pump station and emergent work at Santa Clara. Limited resources are affecting schedule on Shasta 1150
Reservoirs	\$24,000	\$0	\$20,000	● Nothing significant planned for this year.

These categories will match the Capital Improvement Plans (CIPs) submitted by Water & Electric.

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Typical examples include "main replacements". This work typically involves dozens of jobs that add up to \$3-\$3.5 million per year.

Type 2 Rehabilitation & Expansion Projects

Project	2015			Project Total			Schedule			Status/Comments
	Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Raw Water Intake Improvements	\$1,200,000	\$939,101	\$1,200,000	\$6,292,000	\$6,866,899	\$7,130,000	2011	YE-2013	Q1-2015	● Intake 1 Upgrades complete, Construction at Intake 2 near completion. Costs exceeded initial plan as seismic upgrades were added to scope. (Initial Plan - 2011 CIP)
Hayden Bridge Filter S1-S6 Upgrades	\$1,452,500	\$275,996	\$1,450,000	\$7,713,000	\$4,313,686	\$7,650,000	2011	YE-2017	YE-2016	● Upgrade of Filters N1-N6 Complete. Contract for upgrade of Filters S1-S6 coming to Board in September. (Initial Plan - 2011 CIP)
Hayden Bridge Seismic Upgrades	\$480,000	\$429,625	\$430,000	\$1,215,529	\$1,074,692	\$1,710,000	2014	YE-2015	YE-2018	● Phase 1 (Basins and Filters) is complete. Phase 2 (Headhouse) deferred to 2017-2018. Phase 1 costs more expensive than anticipated. (Initial Plan - 2013 CIP)
Distribution System Scada/PLC Upgrades	\$315,000	\$28,658	\$250,000	\$3,079,780	\$138,767	\$2,410,000	2013	YE-2016	YE-2019	● Multi-Year upgrade project. 2014 first significant year of work. Developed standard and completed upgrade of first pump station. Currently working on the Crest System. (Initial Plan 2013 CIP)
Willamette 800 Reservoir No.1 Replacement	\$632,531	\$6,150	\$500,000	\$1,639,760	\$133,000	\$1,660,000	2013	YE-2014	Q3-2015	● After evaluation, project changed from rehab to a replacement. Construction pushed back to 2015-2016. Currently in design. (Initial Plan 2013 CIP)
LTD EMX	\$2,600,000	\$739,836	\$2,200,000	\$0	\$1,768,698	\$3,230,000	2014	2015	Q3-2015	● EWEB has completed service and main work on 6th and 7th Aves and has shifted to W. 11th Ave.

Type 3 - Strategic Projects & Programs

Project	2015			Project Total			Schedule			Status/Comments
	Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Alternative Water Supply	\$1,702,000	\$76,005	\$1,700,000	\$52,707,167	\$76,005	\$69,220,000	2014 with Planning	YE-2021	YE-2021	● Activities to date were minor and were tracked under Type 1 Work. This will be changed in 2015 as work ramps up. Property costs added to projections for 2015. Cost projection will likely change in 2015 as estimates are further refined.

Capital "EL-1" Report: Shared Services, 2015-Q2

Type 1 - General Capital

Capital Category	2015 - Q2			Status/Comments
	Budget (Includes April Amendments)	YTD Actual	Year-End Projection	
General Plant - Information Technology (I.T.)	\$2,682,000	\$78,773	\$2,452,000	● Areas of work for 2015 include network server & switch replacements, Backup/recovery infrastructure, selective voice/communications upgrades, and electric monitoring & control system firewall replacements. Lower EOY projection due to 300K in Power Ops work deferred from the original 2015 budget.
General Plant - Buildings & Land Management	\$1,900,000	\$14,259	\$1,900,000	● Major projects in 2015 include HQ renovation of the HVAC system.
General Plant - Fleet Capital	\$1,713,000	\$0	\$1,713,000	● Electric and Water budget is on track with \$1,474,598 committed . Large majority of fleet purchases arriving in Q3. The last two purchases will arrive Nov/Dec. (LENTSCH)

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Type 2 Rehabilitation & Expansion Projects

Project	2015			Project Total			Schedule			Status/Comments	LAST COMMENTS PRIOR TO THIS REPORT.....
	Budget (Includes April Amendments)	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion		
WAM	\$1,383,000	\$1,167,916	\$1,200,000	\$9,264,919	\$8,418,059	\$8,450,000	Jun-2013	Jul-2015	Jul-2015	● Punch list items are significant, adoption has been much more challenging. While the core team dedicated to this work continued to go above and beyond progress is slow. WAM Governance is determining what if anything is in scope for Phase II. (EICHER/ERBEN)	● Work Order and Asset Management and Mobile Work Management System is designed to provide real-time, utility-wide visibility into type, location and condition of our assets. This data will provide us the ability to forecast how and when to spend our capital and O&M funds. WAM went live on November 4, 2014. However, additional commissioning work ("punchlist items") is continued in 2015. A WAM business system stabilization effort has commenced for 2015 with the intention of improving adoption and implementation of WAM and related processes. A Board update is planned for August 2015.
AMI Information Technology & Integration	\$2,398,000	\$313,961	\$2,398,000	\$6,475,700	\$342,741	\$6,475,700	May-2015	Dec-2017	May-2018	● Technical design work underway. (ARMSTEAD)	● Forecast of \$3.7MM covers AMI "Initial Opt-In Phase" through 2017. Meter and MDM contracts were approved in March 2015. 2015 work includes construction of communications and data handling infrastructure. (ARMSTEAD)
Customer Information System (CIS) Replacement	\$649,000	\$0	\$0	\$5MM (Est.)	\$0	n/a	Sep-2016		Jun-2018	● Project postponed and capital expense postponed to 2016.	● Project postponed in January, capital expense postponed to 2016.
River-Front Property Development	\$100,000	\$100,000	\$370,000	\$400,000	\$2,281,952	n/a	Feb-2006	n/a	2017	● EOY includes \$270K to be funded from other capital projects or capital reserves which will be determined in Q3. MOU with City of Eugene to act as EWEB's agent in progress. (NEWCOMB)	● Master Developer selected (10/7/14) forward costs primarily for negotiation support: Legal & dev consulting. Assumes multi-year phased disposition (BIERSDORFF/NEWCOMB)