



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning, and Brown
FROM: Mel Damewood, Engineering Manager
DATE: October 23, 2015
SUBJECT: EL1 Capital Report for Q3 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 3rd 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 1) 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 Q3 results for the Board's review.

Discussion

There are a few changes that need to be noted in the Q3-2015 EL1 Report. The Q3 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.

Water

As reported in the Q2 – 2015 EL1 report, water was predicting significant over-runs in the Main Improvement and Replacement work, as well as in Services and Meters. The Q3 report confirms this overrun on those two Type 1 projects. Between the two projects, there is a \$2.5 million over-run

projected in 2015. There are several converging events that have caused these over-runs. Although Water is not going to exceed its overall capital budget (Capital is one of the “Four Budget Buckets”) for 2015, we are managing the overrun in the following manner:

- 1) Contribution-in-Aid: There is approximately \$1.2 million (over budgeted amounts) in developer and customer work (non-EmX) included in this overrun projection. This portion of the overrun is covered by contribution in aid funds for both main and service work.
- 2) Equipment Charges: Finance staff has detected about \$400,000 in equipment charges that were incurred to capital that should have been charged to O&M. The bulk of this over-run occurred in these two Type 1 projects. Finance staff is working on this to resolve.
- 3) Shift of O&M to Capital: Due to new capitalization rules, a significant shift of work from O&M to Capital for service and meter work occurred. This accounts for approximately \$500,000 of the over-run projection.
- 4) EmX – At the beginning of the year, EWEB had projected about \$2.6 million in work to be conducted by EWEB crews for the EmX project. Because of this predicted work load, Water Engineering also contracted out planned main replacement and improvement work that would have normally been conducted by EWEB crews. EmX work was value-engineered through-out the year which resulted in a significant reduction in EWEB related work for that project, which shifted crews back to other EWEB related main and service work, and hence caused a natural overrun on internally driven capital work. Water projects to conduct \$2.1 million out of the \$2.6 million budgeted for EmX.
- 5) Emergent Work: Emergent non-planned customer driven work also came up early in the year, which caused additional EWEB funding needed to complete the work.

Water and Finance are still evaluating these causes and may be bringing a budget amendment in December to reconcile these differences in the budget. If Board action is not warranted, a detailed backgrounder will be provided.

Electric

For the most part, Electric Capital is under-running budget for 2016. Type 1 work is tracking well, with less customer driven work that what was budgeted (opposite of water’s experience). For Type 2, the Leaburg Roll Gate projects are tracking well and on schedule. The LTD EmX project has been significantly delayed causing a significant under-run in work, which work will be pushed into 2016. The Holden Creek Substation has a significant budgetary adjustment, see Board Correspondence for an explanation of that project change.

Shared Services

Type 1 projects are moving forward with potential under-runs. Some of this underrun will be rolled over to 2016 (vehicles). WAM stabilization continues and good progress is being made, and all other projects remain on track.

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-Q3

Type 1 - General Capital

| Capital Category | 2015 thru Q3 | | | Status/Comments |
|-------------------------------------------------------|---------------------------------|------------------------|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Budget (Includes Amendments) | YTD Actual (Note 1) | Year-End Projection | |
| Electric Infrastructure - Generation | \$1,200,000 | \$950,303 | \$900,000 | ● Implementation delays will shift some planned spending into 2016. Accounting to shift some miscategorized costs to Carmen Type 3. (ZINNIKER) |
| Electric Infrastructure - Substations & Telecom | \$2,000,000 | \$1,395,852 | \$1,950,000 | ● Hilyard Breaker Replacement project was completed and re-energized in September. Prairie Substation breakers are being replaced in Q4 (LAWSON) |
| Electric Infrastructure - Transmission & Distribution | \$8,200,000 | \$4,968,407 | \$7,000,000 | ● System general rehabilitation work (including PUC & pole compliance) is ahead of schedule (already reached year-end goal) by the end of September. Customer-driven work is less than projected, but \$7 MM target seems appropriate overall. Also, see Note 2 below. (LAWSON/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 Q3 | | | 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 | \$765,194 | \$1,450,000 | \$1,600,000 | \$2,938,137 | \$2,950,000 | Jul-2012 | Jun-2014 | Feb-2015 | ● Project commissioned in February 2015, final work to occur December 2015 - Q4 2015 WILL BE LAST APPEARANCE ON EL-1 REPORT. |
| Leaburg Roll Gate #1 Re-Build | \$2,000,000 | \$462,065 | \$2,000,000 | \$2,000,000 | \$462,065 | \$2,000,000 | Mar-2015 | Nov-2015 | Dec-2015 | ● Emergent project due to failure of RG1 hoist system in December 2014. CIP updated and budget amendment approved as part of the 2015 April True-Up. Construction progressing well and final work to occur December 2015. |
| 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 RG1 hoist and subsequent order from the FERC to replace RG3 hoist due to reliability concerns. CIP updated and approved as part of the 2015 April True-Up. Long lead time equipment ordered. Construction to begin May 2016. |
| LTD EmX Project (Electric) | \$3,370,000 | \$378,743 | \$800,000 | \$5,700,000 | \$946,462 | \$7,548,000 | Sep-2013 | --- | Nov-2016 | ● EWEB electric work will be delayed because of a lack of property rights needed to release EWEB Operations and the contractor to work beyond the existing right of way, pushing more work into next year and winter months. (THOMAS) |
| Upriver Re-Configuration/Holden Ck. Substation | \$500,000 | \$52,606 | \$139,000 | \$3,000,000 | \$63,806 | \$5,700,000 (See Comments) | Jan-2014 | Oct-2015 | Jul-2017 | ● Board correspondence has been drafted (November 2015) highlighting projected changes to the project prior to making any work or material commitments (LAWSON) |
| Downtown Distribution Network | \$1,000,000 | \$104,170 | \$500,000 | \$15,000,000 | \$4,559,879 | \$20,000,000 | Sep-2010 | Dec-2015 | Dec-2019 | ● 2015 work includes required equipment replacement in one or two key vaults. Analysis of technology to allow more distributed generation (DG) in Network are forecasted for late 2015. See Note 2. (FRASER) |

Type 3 - Strategic Projects & Programs

| Project | 2015 thru Q3 | | | 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 | \$2,806,318 | \$5,000,000 | \$135,000,000 | \$36,935,921 | \$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) |

Note(s) 1 September Financials were not final at the time of this report. It is anticipated that capital is approximately \$300K overstated (to be reclassified as O&M).

2 Distribution transformers are being capitalized when received in inventory, therefore some projects in T&D and Downtown network are understated. This will be addressed before year-end.

Water Capital Projects Quarterly Status Report 2015-Q3

Type 1 - General Capital

| Project | 2015 | | | Status/Comments |
|----------------------------------------------|-------------|-------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Budget | YTD Actual | Year-End Projection | |
| Source - Water Intakes & Filtration Plant | \$575,000 | \$363,000 | \$600,000 | ● Includes AWS expenditures through second quarter. These will be charged as Type 3 work for rest of year. |
| Mains - Replacements, Improvements, & Trans. | \$4,307,500 | \$5,328,000 | \$5,800,000 | ● Higher than anticipated main replacement costs combined with several opportunity and emergent projects leading to higher than anticipated expenditures. Anticipate a Budget Amendment in December. |
| Services and Meters | \$927,000 | \$1,408,195 | \$1,880,000 | ● Increased development and shift of service replacement costs from O&M to Capital have expenditures increasing above budget. Anticipate a Budget Amendment in December. |
| Pump Stations | \$751,000 | \$304,000 | \$538,000 | ● Includes new Shasta 1150 pump station and emergent work at Santa Clara. Limited resources are affecting schedule on Shasta 1150 |
| Reservoirs | \$24,000 | \$0 | \$0 | ● Nothing planned for this year. |

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. Typical Type 1 Capital includes categorized collections of projects of less than \$1 million.

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 | \$1,085,000 | \$1,160,000 | \$6,292,000 | \$7,012,798 | \$7,090,000 | 2011 | YE-2013 | YE-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 | \$357,000 | \$860,000 | \$7,713,000 | \$4,394,690 | \$8,060,000 | 2011 | YE-2017 | YE-2016 | ● Upgrade of Filters N1-N6 Complete. Contract for upgrade of Filters S1-S6 approved by Board in September. (Initial Plan - 2011 CIP) |
| Hayden Bridge Seismic Upgrades | \$480,000 | \$430,000 | \$430,000 | \$1,215,529 | \$1,075,067 | \$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 | \$92,000 | \$195,000 | \$3,079,780 | \$202,109 | \$2,360,000 | 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 | \$8,700 | \$10,000 | \$1,639,760 | \$135,550 | \$1,770,000 | 2013 | YE-2014 | YE-2017 | ● After evaluation, project changed from rehab to a replacement. Construction initially pushed back to 2015-2016. Construction further delayed to 2016-2017 to help manage other overages and emergent work. (Initial Plan 2013 CIP) |
| LTD EMX | \$2,600,000 | \$1,230,000 | \$2,100,000 | \$0 | \$2,258,862 | \$3,130,000 | 2014 | 2015 | YE-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 | \$259,000 | \$1,700,000 | \$52,707,167 | \$259,000 | \$67,000,000 | 2014 with Planning | YE-2021 | YE-2021 | ● Activities to date were minor and were tracked under Type 1 Work. This changed in 2015 as work ramped up. Property costs included in projections for 2015. Cost projection may change in 2016 as estimates are further refined. |

Capital "EL-1" Report: Shared Services, 2015-Q3

Type 1 - General Capital

| Capital Category | 2015 - Q3 | | | Status/Comments | Status/Comments | LAST COMMENTS PRIOR TO THIS REPORT..... |
|-----------------------------------------------|---------------------------------------|-------------|---------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Budget (Includes April Amendments) | YTD Actual | Year-End Projection | | | |
| General Plant - Information Technology (I.T.) | \$2,752,000 | \$115,971 | \$1,865,970 | ● | 1.3M currently unspent, may or may not be spent in Q4 2015 and would need to carry over. \$900K of unspent is available to be reallocated to other areas. Remaining unspent reflects purchases and invoices not yet processed through WAM.(Armstead) | ● 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 | \$249,145 | \$1,300,000 | ● | HQ HVAC project will be complete in 2015. HQ Elevator Upgrade my finish in 2015 or in the first quarter of 2016. HQ Fire System Upgrade and HQ and ROC Asphalt Sealing deferred to 2016. (Simmons) | ● Major projects in 2015 include HQ renovation of the HVAC system. |
| General Plant - Fleet Capital | \$1,713,000 | \$1,232,399 | \$1,267,118 | ● | On the electric side: Budget \$1,139,027 Note: We will need to rollover \$355,859 into the 2016 budget (two service buckets that will not make year-end delivery) All projects are on track - Overall we are \$16,670 under budget for 2015 On the water side: Budget \$513,000 (originally \$629,504) All projects are on track - Overall we are \$29,050 under budget for 2015(Lentsch) | ● 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) |

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 | \$1,432,000 | \$1,220,898 | \$1,432,000 | \$9,264,919 | \$8,681,041 | \$8,881,041 | Jun-2013 | Nov-2014 | Jul-2016 | ● Primary efforts related to WAM Business Stabilization continue but are being charged to O&M and not Capital. Only minor additional capital work such as components remain. This work will be closed out with the planned completion of WAM Stabilization Phase A in Q3 2016. (Armstead) | ● 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) |
| AMI Information Technology & Integration | \$2,023,000 | \$539,135 | \$1,400,000 | \$6,475,700 | \$567,915 | \$6,475,700 | May-2015 | Dec-2017 | May-2018 | ● Project on track per status reporting. Unspent funds reflect work and invoices currently in process that may or may not complete December 31. If not, funds will need to be carried over. (Armstead) | ● Technical design work underway. (ARMSTEAD) |
| Customer Information System (CIS) Replacement | \$0 | \$0 | \$0 | \$9.7M | \$0 | n/a | Sep-2016 | Jan-2018 | Jun-2018 | ● Work this year was O&M. Increase to initial plan due to new estimates from the CIS consultant. Anticipating 1.7M in labor O&M offset. (Erben) | ● Project postponed and capital expense postponed to 2016. |
| River-Front Property Development | \$100,000 | \$106,973 | \$106,973 | \$400,000 | 2.5M | n/a | Feb-2006 | n/a | 2017 | ● Project on track per budgets, timeline for a sale of the property is not known at this time. (Newcomb) | ● 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) |