



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Helgeson, Manning, Mital and Brown  
FROM: Mark Freeman, EMS and Customer Service Manager and Alan Fraser, Electric Engineering Distribution Supervisor  
DATE: July 8, 2016  
SUBJECT: Customer electric service upgrade (ESU) loan fund for electric infrastructure  
OBJECTIVE: Information Only

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## Issue

Current EWEB policy requires customers to pay 100% of projected costs for utility services prior to upgrading EWEB services. This upfront financial obligation can be a high hurdle and a deterrent to economic development. The only exception is the Business Growth & Retention (BG&R) loan pool that is funded to \$2 million dollars but is designed to help only commercial customers with EWEB costs of \$5,000 or above. Residential and small commercial customers considering electrical upgrades with costs projected at less than \$5,000 are required to pay 100% prior to work starting.

Staff requests reallocation of up to \$200,000 from existing BG&R loan fund to assist residential and small commercial customers finance electric service improvement costs associated for projects under \$5,000.

## Background

The current BG&R loan program has been successful assisting commercial customers with large project costs. We also have many residential or smaller commercial customers either required or considering upgrades to electric service with projected costs below \$5,000. The majority of projects involve residential customers addressing either safety issues with existing electric service or adding capacity. These projects are often sudden and unexpected costs.

This proposed reallocation of BG&R funds would assist existing residential and small commercial electric customers by providing financing options for EWEB service costs including equipment purchase, construction cost, engineering services and service connection fees. The loans could be used for service entrance equipment. A similar loan program already exists for EWEB water customers who have a failed water main.

The burden of payment would continue to rest with the individual customer requesting loan and not with general ratepayers.

Specific examples where a loan could be used:

- A) Customer main electrical panel or meterbase needs to be replaced for load growth or failure. Electric panel replacement around \$1.5k.

- B) Customer's underground (UG) Service Lateral (SL) does not meet current specifications and needs to be replaced; typically this occurs when the main panel is changed because the conductors are under sized per current code and/or EWEB specification. This can easily triple the cost of just a panel change from \$1.5k to \$4.5k.
- C) Customer requests new service which requires EWEB infrastructure to be modified; which is charged to individual customer making request. Loan could be used by customer to pay for EWEB infrastructure costs needed by customer project.
- D) EWEB makes system change that effectively requires a (law abiding and safety conscious) customer, to replace their main panel (and possibly UG SL, example from above). A specific example, EWEB has increased distribution transformer size and increased the available fault current; fault current rating on customer's panel is no longer adequate.

**Discussion**

Loans under this proposal would be capped at \$5,000. Residential customers would be offered zero percent loans with maximum four year term. Existing procedures established for EMS residential loans would be used. Offering zero interest loans to residential customers is based on EWEB legal counsel assessment of regulatory requirements associated with charging interest to residential customers.

Small commercial customers would be charged four percent interest with maximum five year pay back. All loans offers would require prior approval by EWEB electric engineering distribution supervisor. All loans eligibility would also require a review of the applicant's credit worthiness. This step would be accomplished using EWEB's established loan program criteria where the program applicant would need to satisfactorily demonstrate the ability to meet loan payment obligations.

Proposed Loan Terms

	Minimum	Maximum	Interest rate	Term
Residential	\$1,000	\$5,000	0%	Up to 4 years
Small Commercial	\$1,000	\$5,000	4%	Up to 5 years

- Loan amount and repayment terms would be determined by existing credit matrix used for EMS loans.
- Established process will be used for credit check and possible approval by loan administrator.

The Business Growth & Retention loan pool is replenished by repayment and used to fund future projects.

Given the small number of loans, the program does not require any new FTE.

**Requested Board Action**

No action required. We feel it falls under previous Board approval. Please contact us if you have any questions.