



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Carlson, Mital, Helgeson, Schlossberg and Brown
FROM: Rene Gonzalez, Customer Solutions Manager; Jeannine Parisi, Customer Relationship Manager; Adam Rue, Fiscal Services Supervisor
DATE: May 24, 2019
SUBJECT: Business Growth and Retention Rate Credit Public Hearing
OBJECTIVE: Action Requested

Issue

June 4, 2019 is the second of two public hearings on proposed changes to the Business Growth and Retention Credit program (BGR-1 rate rider). Following discussion, Board action is scheduled to enact the proposed changes.

Background

At the March 2019 Board meeting, Management provided an update on proposed improvements to the BGR rate rider program. Management priorities include more objective standards for participation, streamlined program administration, and increased flexibility to potential participants while managing financial risk to EWEB. These changes were described in the March Board meeting memo.

At the May meeting, Management provided a red-lined version of the BGR-1 policy showing proposed policy modifications consistent with the stated objectives. These included updated program eligibility requirements and a simplified methodology for calculating and administering the BGR credit (see Attachment 1). The general basis for establishing the credit value, splitting the differential between wholesale power and retail prices, remains intact. Instead of a bi-annual look back of actual wholesale pricing, the BGR credit will be calculated annually using updated forward price curve information. These values would be adopted as part of EWEB's overall utility pricing and published in our Customer Service Policy.

As discussed at the May Board meeting, this annual review process will offer an opportunity for the Board to assess if the BGR program still makes sense given market pricing and EWEB's power supply position. At the public hearing, one community member representing the City of Eugene's economic development department, testified in favor of the program.

Discussion

Examples of how the new methodology would be applied are provided, using estimated consumption and billing amounts for demonstration purposes.

Example 1 is a new Medium General Service Customer with about 150 KW of new demand. Customers with this profile would likely qualify for a two year credit.

New Medium General Service Customer w/150 KW Average Demand			
Qualifying kWh	Energy Charge (0.06 cents/kWh)	2019 BGR Credit @ 0.012 cents/kWh	Total Electric Bill
350,000	\$ 17,925	\$ 4,200	\$ 33,416

Example 2 is a Large General Service Customer that has undergone expansion, more than doubling their energy consumption from the 100,000 kWh calculated baseline. Customers with this profile would likely qualify for a four year credit.

Large General Service Customer w/350 KW Average Incremental Demand			
Incremental kWh	Energy Charge (0.05 cents/kWh)	2019 BGR Credit @ 0.008 cents/kWh	Total Electric Bill
1,300,000	\$ 69,592	\$ 10,400	\$ 177,872

TBL Assessment

Eligibility for participation in the BGR-1 credit continues to use a TBL framework.

Recommendation

Management recommends revising the BGR policy consistent with the stated objectives to simplify program administration and establish clear eligibility requirements, while increasing flexibility and accessibility to participants.

Requested Board Action

Approve revisions to the Business Growth and Retention Credit Policy.

Attachment 1: EWEB Customer Service Policy, Appendix B – Electric Service Charges and Prices, Business Growth & Retention Credit Policy (red-lined)



Eugene Water & Electric Board

Customer Service Policy Appendix B – Electric Service Charges and Prices

**A. Business Growth and Retention ~~Price Rider~~ CREDIT (BGR-1)
(For Service from 1200 kW to 10,000 kW of New or On-going Incremental Demand)
(Resolution No. 1328)**

1. Purpose

New and expanding businesses can provide broad economic benefits to the community and EWEB customers, but often have high up-front costs associated with capital improvements, including utility infrastructure. The Business Growth and Retention Credit is intended to provide short-term discounted electric pricing to support business growth when such development demonstrates clear economic, environmental and community benefits.

~~1.2.~~ Applicable

This ~~Rider~~ Credit is applicable as an addendum to the otherwise applicable General Service electric price schedule for qualified Customers locating or expanding service on EWEB's transmission and/or distribution system(s). New or existing General Service Customers who add a minimum of 1200 Kilowatts (kW) of billing demand may qualify. Service is applicable to customers with the average of the three highest monthly kW demands in a 12-month rolling period falling between 1200 and 10,000 kilowatts of either new or incremental demand that has demand response capability.

Customers taking service must first be approved for participation in EWEB's Business Growth & Retention Program based on specified attributes the project brings to the community

2. Price

The BGR-1 Credit is calculated annually based on the difference between the average ~~Rider shall be calculated by subtracting the average ICE Mid-C Flat forward price curve monthly settled index price from and~~ the Customer's average applicable retail energy (kWh) price. The value associated with the difference between market and retail pricing is shared between EWEB and the customer. ~~to establish the retail/wholesale market differential.~~

2019 BGR Price for Medium General Service Customers: \$0.012 per kilowatt hour

2019 BGR Price for Large General Service Customers: \$0.008 per kilowatt hour

The monthly retail/wholesale market differential is allocated to the Customer as an incentive price. The split is 50/50 in the first year, 60 (EWEB)/40 (Customer) in the second year; and 80 (EWEB) /20 (Customer) in the third year.

The BGR-1 Credit Rider is exclusively applied to the new or incremental energy (kWh) use only in the form of an annual bill credit. ~~The credit is based on a look back~~



Eugene Water & Electric Board

Customer Service Policy Appendix B – Electric Service Charges and Prices

~~calculation for all energy consumed above the baseline and credited to the bill every six months in January and July each year.~~ The BGR credit will not be paid for any Billing Period that Customer fails to meet 1200 kW minimum additional Demand.

3. Contract

Service under the BGR-1 ~~Credit is Rider~~ is provided under a ~~three-year,~~ signed agreement with a term of two – four years depending on EWEB’s evaluation of the load growth potential, -level of utility investment and potential future revenue received from the customer– EWEB reserves the right to reduce the term if the project’s actual load growth and revenues are lower than anticipated when the contract was signed.

4. Start Date

The start date of the incentive price period shall commence within 24 months from the date of execution of the contract for service and shall be designated by the Customer and EWEB within the BGR-1 agreement. *(This 24 month period is to accommodate construction prior to full operation.)*

5. Metering

Separate electric metering for new or additional Load may be required if, in EWEB’s sole opinion, it is necessary to provide service under this schedule. The Customer will be responsible for any costs associated with providing separate electric metering.

6. General Terms and Conditions

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