



## MEMORANDUM

EUGENE WATER & ELECTRIC BOARD  
ELECTRIC SERVICES DIVISION

*Rely on us.*

TO: Commissioners Brown, Cassidy, Cunningham, Ernst and Farmer  
FROM: Dean Ahlsten, Systems Engineering & Substation Reliability Manager  
DATE: August 31, 2010  
RE: Approval of 2011-2015 Electric Utility Capital Improvement Plan (CIP) and 2011 Budget

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### ***Issue Statement***

Staff presented the Board with a draft update of the Electric Utility CIP at its July 20 budget workshop. Staff will be requesting final approval of the CIP and the 2011 capital budget at the September 7, 2010 regular Board meeting.

### ***Background***

At the July 20 workshop, staff presented proposed CIP expenditures in a new format that categorized the work into three Types: Type 1 for general capital work done on a year-to-year basis; Type 2 consisting of large rebuilding or expansion projects that occur periodically; and Type 3 consisting of large long-term strategic projects that provide system-wide benefit.

During the discussion, the Board asked clarifying questions and indicated a desire for information about capital project prioritization, particularly for Type 2 projects. Staff clarified with the Board that "Type" categories were not an indication of priority in and of themselves. An informational memo has been prepared by Fiscal Services in response to the Board's request.

### ***Discussion***

Subsequent to the July 20 workshop, adjustments were made to the 2011 capital budget as follows:

#### Type 1 Work:

- Electric Infrastructure – Substation & Telecommunications: The budget was reduced by \$220,000 due to a downward adjustment in Administrative & General overheads allocated to the University of Oregon Substation project, in accordance with EWEB financial policies;

- Electric Infrastructure – Generation: The budget was increased by \$416,000 for projects that will carry forward from the current year’s budget. This increase in expenditures is offset with 2010 capital budget held in reserve;
- General Plant – Corporate & Customer Services / Buildings & Land Management: The budget was reduced by \$264,000 due to revised budget estimates, reclassification of projects and project deferrals.

Type 3 Work:

- Carmen Smith Relicensing – The 2011 budget was increased by \$1,327,500 to reflect current estimates for cash flow next year;
- Roosevelt Operations Center - \$535,000 was incorporated into the 2011 budget to fund final commissioning (building system testing and adjustments) and completion of as-built documentation for the new facilities.

The net effect of these changes was a decrease of \$65,000 for Type 1 work and an increase of \$1,931,000 for Type 3 work, in the 2011 capital budget, relative to what was presented to the Board on July 20. Refer to Attachment A<sup>1</sup> for a summary of 5-Year capital expenditures by Type and classification.

In summary, the 2011 capital budget totals \$38,500,000. Of that amount, \$5,866,000 is anticipated electric and telecommunication customer work and transmission and substation projects for the University of Oregon that are funded through contribution in aid.

***Recommendation & Requested Action***

Staff recommends that the Board approve the 2011-2015 Electric Utility Capital Improvement Plan and 2011 capital budget.

If you have questions regarding this material please direct them to James P. Wiley at 685-7356 or [jim.wiley@eweb.org](mailto:jim.wiley@eweb.org)

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1 Attachment A: 2011-2015 Summary of CIP Expenditures

## ATTACHMENT A: Proposed 2011-2015 Electric CIP Summary of Expenditures and Funds

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>5-Year Total</u>
<b><i>Type I. General Capital</i></b>						
<b><i>Expenditures</i></b>						
Electric Infrastructure - Generation	\$ 1,816,000	\$ 690,132	\$ 2,000,000	\$ 920,000	\$ 1,765,884	\$ 7,192,016
Electric Infrastructure - Substations & Telecom	4,516,000	\$ 783,529	\$ 768,070	\$ 1,108,421	\$ 1,019,945	\$ 8,195,965
Electric Infrastructure - Transmission & Distribution	\$ 12,395,000	\$ 11,967,205	\$ 13,668,420	\$ 13,045,129	\$ 14,978,383	\$ 66,054,137
General Plant - Corporate & Customer Services	\$ 168,000	\$ 203,147	\$ 199,914	\$ 254,662	\$ 242,032	\$ 1,067,755
General Plant - Information Technology	\$ 2,087,000	\$ 2,000,000	\$ 2,060,000	\$ 2,121,800	\$ 2,185,454	\$ 10,454,254
General Plant - Buildings & Land Management	\$ 774,000	\$ 602,000	\$ 566,591	\$ 430,000	\$ 215,000	\$ 2,587,591
General Plant - Electric Fleet	\$ 1,385,000	\$ 1,882,143	\$ 1,989,132	\$ 1,725,952	\$ 2,767,976	\$ 9,750,203
Subtotal - Expenditures	<u>\$ 23,141,000</u>	<u>\$ 18,128,156</u>	<u>\$ 21,252,127</u>	<u>\$ 19,605,964</u>	<u>\$ 23,174,674</u>	<u>\$ 105,301,921</u>
<b><i>Funding</i></b>						
Capital Reserve Balance - Prior Year-End	\$ 7,150,000	\$ 6,966,000	\$ 7,212,142	\$ 5,953,121	\$ 6,661,477	\$ 7,150,000
Rates for Capital	\$ 17,091,000	\$ 17,126,000	\$ 18,700,000	\$ 18,990,000	\$ 22,317,000	\$ 94,224,000
Customer Contributions	\$ 5,866,000	\$ 1,248,298	\$ 1,293,106	\$ 1,324,320	\$ 1,338,830	\$ 11,070,554
Subtotal - Funding	<u>\$ 22,957,000</u>	<u>\$ 18,374,298</u>	<u>\$ 19,993,106</u>	<u>\$ 20,314,320</u>	<u>\$ 23,655,830</u>	<u>\$ 112,444,554</u>
<b><i>Type II. Infrastructure Rebuilding &amp; Expansion Programs</i></b>						
<b><i>Expenditures</i></b>						
Oakway Substation Upgrade/Rebuild	\$25,000	\$884,000				\$ 909,000
Westmoreland Substation Rebuild		\$32,500	\$970,000	\$790,000		\$ 1,792,500
Breaker Replacements/Upgrades	\$2,132,000	\$711,300	\$1,162,200	\$300,000		\$ 4,305,500
12kV Substation Rebuilds				\$200,000	\$1,850,000	\$ 2,050,000
Clear Lake Substation			\$25,000	\$354,300	\$2,355,000	\$ 2,734,300
Backup Control Center		\$750,000	\$750,000			\$ 1,500,000
Generator Rewind				\$1,722,900		\$ 1,722,900
Subtotal - Expenditures	<u>\$2,157,000</u>	<u>\$2,377,800</u>	<u>\$2,907,200</u>	<u>\$3,367,200</u>	<u>\$4,205,000</u>	<u>\$ 15,014,200</u>
<b><i>Funding</i></b>						
Project Bonds: Electric Infrastructure Re-Build Program	<u>\$ 2,157,000</u>	<u>\$ 2,377,800</u>	<u>\$ 2,907,200</u>	<u>\$ 3,367,200</u>	<u>\$ 4,205,000</u>	<u>\$ 15,014,200</u>

### *Type III. Strategic Projects/Programs*

#### *Expenditures*

Project - Roosevelt Operations Center	\$535,000					\$ 535,000
Project - Automatic Metering Infrastructure		\$6,800,000	\$13,200,000	\$7,200,000		\$ 27,200,000
Project - Carmen-Smith Relicensing	\$12,671,000	\$26,262,319	\$42,903,000	\$30,974,000	\$4,494,000	\$ 117,304,319
Subtotal - Expenditures	<u>\$13,206,000</u>	<u>\$33,062,319</u>	<u>\$56,103,000</u>	<u>\$38,174,000</u>	<u>\$4,494,000</u>	<u>\$ 145,039,319</u>

#### *Funding*

Project Bond: Roosevelt Operations Center	\$535,000					\$ 535,000
Project Bond: Automatic Metering Infrastructure		\$6,800,000	\$13,200,000	\$7,200,000		\$ 27,200,000
Project Bond: Carmen-Smith Relicensing		\$26,262,319	\$42,903,000	\$30,974,000	\$4,494,000	\$ 12,671,000
Carmen Smith Reserve Fund	\$12,671,000					\$ 12,671,000
Subtotal - Funding	<u>\$13,206,000</u>	<u>\$33,062,319</u>	<u>\$56,103,000</u>	<u>\$38,174,000</u>	<u>\$4,494,000</u>	<u>\$ 145,039,319</u>

#### **Total Expenditures**

\$ 38,504,000	\$ 53,568,275	\$ 80,262,327	\$ 61,147,164	\$ 31,873,674	\$ 265,355,440
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#### **Total Funding**

\$ 38,320,000	\$ 53,814,417	\$ 79,003,306	\$ 61,855,520	\$ 32,354,830	\$ 265,348,073
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#### **Capital Reserve Balance (at Year End)**

\$ 6,966,000	\$ 7,212,142	\$ 5,953,121	\$ 6,661,477	\$ 7,142,633
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