



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD  
WATER DIVISION

*Rely on us.*

TO: Commissioners Brown, Simpson, Cassidy, Ernst and Cunningham  
FROM: Tom Buckhouse  
DATE: May 27, 2011  
SUBJECT: Update on Steam Transition Planning and Implementation

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## Issue

EWEB is in the process of aiding its steam customers through a transition off the EWEB steam system, which is scheduled to permanently shut down in June 2012. This backgrounder is intended to provide an update as to the progress of the overall transition of EWEB steam customers, budget and loan status, and potential issues that could arise.

## Background

Faced with rising costs, an eroding customer base and an inefficient distribution system, EWEB is in the process of shutting down its steam utility. After several years of study, EWEB's Board of Commissioners adopted a policy in 2008 which mandates that the transition out of the steam utility will be completed in a manner that is:

- Socially responsive
- Environmentally and financially responsible
- To the fullest extent possible, balances the considerations of steam customers, the downtown community, the community at large and EWEB's electric utility interests

## Discussion

Out of the 58 buildings that utilized steam heating and relied on the steam system when the transition plan started, 28 buildings have converted their heating systems or disconnected from the EWEB steam system. Out of the 28 conversions, there are three customers that have no plans to convert due to building or business obsolescence.

It is anticipated that by heating season of 2011-2012 (Nov. 2011), 24 more planned conversions are expected to be completed. With that, we anticipate we will be nearly 90% transitioned at the beginning of the 2011-2012 heating season.

There are seven remaining customers that EWEB has communicated with and provided information to, but they have not yet indicated to us what their conversion plan and schedule is.

EWEB staff remains optimistic that the financing and budget constraints of the steam transition plan will remain in range of the original funding estimates, but the need for loan assistance is coming sooner than was originally planned. Overall there was \$3.5 million planned for the 2009-2012 steam transition. Since the inception of the Steam Transition Plan, EWEB has spent \$1.36 million. EWEB has also earmarked \$300,000 of funds for its Headquarters transition. This leaves approximately \$1.84 million in EWEB funds to loan and utilize to complete the overall transition.

There is a potential of \$2.54 million in project costs that customers may approach EWEB for loans. If all of these customers ask EWEB for loans, there is an approximate \$700,000 more in need than what planned for in the original funding estimates. We are pleased that the construction bids for the transition projects are coming in lower than what was estimated by the McKinstry consultant studies. Because of this, we are hopeful we can manage the overall cost to the original \$3.5 million estimate, and we will have better information in the fall of 2011 as more projects are initiated.

For the 2011 Budget, EWEB staff will be coming to the Board in July for a budget amendment for loan coverage. In 2011, there was \$675,000 budgeted for steam transition loans. In 2011, EWEB has already loaned \$499,165. Currently there is \$900,000 in additional loan funds that have been approved but will not be allocated until the end of July or in August. We should also see more loan applications come in over the summer as building owners move to convert ahead of the next heating season.

### **Recommendation and Action**

There is no recommendation or action at this time. Be prepared to see a budget amendment for steam loans in July.

Please contact Tom Buckhouse at 541-685-7166 or email [tom.buckhouse@eweb.org](mailto:tom.buckhouse@eweb.org) if you have any questions.