



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD
ELECTRIC SERVICES DIVISION

Rely on us.

TO: Commissioners Brown, Simpson, Cassidy, Ernst and Cunningham
FROM: Tom Buckhouse, Director – Electric, Water, and Steam Divisions
DATE: August 29, 2011
SUBJECT: 2012 Electric Division 10-Year Capital Improvement Plan (CIP) and 2012 Capital Budget

Issue Statement

Staff presented the Board with a draft update of the Electric Utility CIP at its August 2nd work session. Staff will be requesting final approval of the CIP and the 2012 capital budget at the September 6, 2011 regular board meeting.

Background

At the August 2nd work session, management presented proposed CIP expenditures categorized by work “Types”: Type 1 for general capital work done for purposes of sustaining the system on a year-to-year basis; Type 2 consisting of large rebuilding or expansion projects that occur infrequently; and Type 3 consisting of large long-term strategic projects that provide system-wide benefit. The Board was generally supportive of the proposal after asking clarifying questions about expenditures proposed for the decommissioning of the riverfront property.

Discussion

Subsequent to the August 2nd work session, the following adjustments were made to the 2012 capital budget:

Type 1 & 2 Projects:

Electric Infrastructure – Substation & Telecommunications - The 2012 budget has been increased by \$1,015,000 to reflect the following decisions made in August to:

- 1) Defer a 2011 69-kV breaker replacement project at Leaburg Substation until April of next year (\$125,000) in order to take advantage of seasonal power values. The project will have a two week impact on production out of the plant;
- 2) Defer the receipt of equipment for a River Road Substation upgrade from 2011 to 2012 (\$150,000) as well as payment to BPA for work they will be performing in support of the project (\$200,000). All of the increased expenditures in Items 1) and 2) are covered by carryover of unspent capital monies budgeted in 2011 (\$475,000) therefore there is no net impact to the capital plan;

3) Add funding for EWEB's portion of LCOG's federally funded fiber expansion project to underserved areas in Lane County (\$540,000). In August, the details of work remaining in 2012 were unclear and are now more certain. All of these expenditures are fully reimbursable by grant funds so again no net impact on the CIP.

Type 3 Projects:

Carmen Smith License Implementation - The 2012 budget has been increased by \$4.5 million to reflect the following adjustments to the project scope and schedule:

- 1) In August, the CIP assumed that the Smith Dam Emergency Access Road would be constructed over two years, half in 2011 and half in 2012. In the current capital plan all of the funding is shown in 2012 (\$600,000 increase);
- 2) Funding has been added to the CS Communication Systems Improvements project to cover work necessary to upgrade the Sutron reservoir level and flow monitoring system. Legislation from the Federal Communications Commission (FCC) requires that radio frequency systems convert to "narrow banding" technology in order to optimize radio spectrum. It needs to be done before January 2013 (\$500,000 increase);
- 3) The August CIP did not include 2012 costs for relocating the oil-filled substation equipment that is currently sitting next to the river; this was left out in error. At the time, Management was still evaluating the benefits and costs and did not have a final estimate for the project. The 2012 budget now includes funding for this work (\$2.4 million increase). The balance of funds to complete the substation and transmission line terminal relocation (approximately \$5.0 million) is included in the CIP in 2013;
- 4) In an August meeting with EWEB's Construction Manager / General Contractor, Wildish Construction, Management was made aware of the need to improve access roads to our construction and staging sites prior to the 2013 start of construction (\$1.0 million increase). This expense is anticipated to be recovered in decreased construction costs that will be realized in 2013 and 2014.

Because EWEB has not yet received its new license it is anticipated that the 2011 budget will be under spent by \$2.3 million. This money will carry forward to cover a portion of the increases; the balance will require additional funds.

Advanced Metering Infrastructure (AMI) Deployment - The 2012 budget has been decreased by \$2.2 million because it was determined that the Electric Utility could not advance funding for the purchase of Water Utility meters. These expenditures have been moved to the Water Utility CIP.

Refer to Attachment A¹ for a summary of the 5 and 10 year capital expenditures by Type and classification with all of the changes discussed herein. The full document for the Electric Utility's 10-Year CIP can be provided upon request. The 2012 Electric Utility capital budget totals \$45,844,460. Of that amount, \$1,659,394 is anticipated residential and commercial development and telecommunications expansion projects that are funded through contribution in aid or grant monies.

¹ Attachment A: 2012-2016 Summary of CIP Expenditures

Recommendation & Requested Action

Management recommends Board approval of the first five years of the Electric Utility 10-Year CIP and the capital budget for 2012 as outlined in the first year of the CIP.

If you have questions about this material please contact Tom Buckhouse at 541-685-7166 or tom.buckhouse@eweb.org.

Attachment A. 2012-2021 Electric Utility CIP Summary of Expenditures and Funds

Rev. 02 - September 6, 2011

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>5 Year Total</u> <u>2012-2016</u>	<u>5 Year Total</u> <u>2017-2021</u>	<u>10 Year Total</u>	<u>(1)</u>
Type I General Capital:									
Capital Reserve Balance	\$11,097,000	\$11,620,316	\$7,922,930	\$8,753,441	\$7,338,201	\$11,097,000	\$5,733,489	\$11,097,000	
Customer Contributions	\$1,659,394	\$1,293,106	\$1,324,320	\$1,338,830	\$1,382,200	\$6,997,850	\$7,653,748	\$14,651,598	
Electric Rates	\$16,656,000	\$17,155,000	\$18,640,000	\$19,292,000	\$19,968,000	\$91,711,000	\$110,823,000	\$202,534,000	
Interest Earnings on Reserve Fund	\$50,000	\$65,000	\$75,000	\$100,000	\$150,000	\$440,000	\$1,250,000	\$1,690,000	
Total Funds:	\$29,462,394	\$30,133,422	\$27,962,250	\$29,484,271	\$28,838,401	\$110,245,850	\$125,460,237	\$229,972,598	
Expenditures:									
Electric Infrastructure - Generation	\$1,358,332	\$2,020,000	\$938,492	\$1,613,330	\$759,641	\$6,689,795	\$69,556	\$6,759,351	
Electric Infrastructure - Substations & Telecom	\$1,967,767	\$505,000	\$617,161	\$1,018,968	\$1,545,297	\$5,654,192	\$15,894,155	\$21,548,347	
Electric Infrastructure - Transmission & Distribution	\$9,747,206	\$12,658,754	\$12,526,960	\$14,711,032	\$11,732,128	\$61,376,080	\$66,067,895	\$127,443,975	
General Plant - IS Resources	\$2,614,400	\$4,534,092	\$2,105,486	\$2,126,541	\$2,147,807	\$13,528,326	\$15,336,830	\$28,865,156	
General Plant - Buildings & Land Management	\$219,300	\$542,875	\$943,082	\$509,484	\$514,579	\$2,729,320	\$925,827	\$3,655,147	
General Plant - Electric Fleet Capital	\$1,886,589	\$1,874,840	\$1,971,538	\$2,073,369	\$2,180,609	\$9,986,945	\$14,628,276	\$24,615,221	
General Plant - Corporate & Customer Services	\$23,484	\$24,431				\$47,915		\$47,915	
Power Management	\$25,000	\$50,500	\$106,090	\$93,345	\$4,224,852	\$4,499,788	\$58,833	\$4,558,621	
Total Expenditures	\$17,842,078	\$22,210,492	\$19,208,809	\$22,146,070	\$23,104,912	\$104,512,361	\$112,981,373	\$217,493,733	
Type II Infrastructure Rehabilitation & Expansion Programs									
Source of Funds:									
Project Bonds: Electric Infrastructure Re-Build Program	\$5,097,000	\$12,468,450	\$12,483,884	\$5,022,717	\$8,973,838	\$44,045,889	\$31,600,722	\$75,646,611	
Expenditures:									
Type II Project - Infrastructure Re-Build - Generation	\$60,000		\$1,757,532	\$154,545	\$1,508,876	\$3,480,953	\$8,753,380	\$12,234,333	
Type II Project - Infrastructure Re-Build - Substations & Telecom	\$2,215,000	\$2,045,250	\$3,723,365	\$2,498,480	\$3,902,265	\$14,384,360	\$5,197,394	\$19,581,754	
Type II Project - Infrastructure Re-Build - Transmission & Distribution	\$2,822,000	\$10,423,200	\$7,002,987	\$2,369,692	\$3,562,697	\$26,180,576	\$17,649,948	\$43,830,524	
Type II Project - Corporate & Customer Services									
Total Expenditures	\$5,097,000	\$12,468,450	\$12,483,884	\$5,022,717	\$8,973,838	\$44,045,889	\$31,600,722	\$75,646,611	
Type III Strategic Projects/Programs									
Source of Funds:									
Advance Meter Infrastructure Bonds	\$5,278,000	\$8,900,000	\$4,200,000	\$3,000,000	\$2,000,000	\$23,378,000		\$23,378,000	
Carmen Smith Relicensing Dedicated Funds	\$19,988,988	\$51,810,000	\$46,980,000	\$25,730,000	\$2,530,000	\$147,038,988	\$3,189,000	\$150,227,988	
Power Reserve (or Developer) Funds	\$620,000	\$230,000			\$1,000,000	\$1,850,000		\$1,850,000	
Total Funds:	\$25,886,988	\$60,940,000	\$51,180,000	\$28,730,000	\$5,530,000	\$172,266,988	\$3,189,000	\$175,455,988	
Expenditures:									
AMI Deployment	\$5,278,000	\$8,900,000	\$4,200,000	\$3,000,000	\$2,000,000	\$23,378,000		\$23,378,000	
Carmen Smith License Implementation	\$19,988,988	\$51,810,000	\$46,980,000	\$25,730,000	\$2,530,000	\$147,038,988	\$3,189,000	\$150,227,988	
Riverfront Decommissioning	\$620,000	\$230,000			\$1,000,000	\$1,850,000		\$1,850,000	
Total Expenditures:	\$25,886,988	\$60,940,000	\$51,180,000	\$28,730,000	\$5,530,000	\$172,266,988	\$3,189,000	\$175,455,988	
Total Funds	\$60,446,382	\$103,541,872	\$91,626,134	\$63,236,988	\$43,342,239	\$326,558,727	\$160,249,959	\$481,075,197	
Total Expenditures	\$48,826,066	\$95,618,942	\$82,872,693	\$55,898,787	\$37,608,750	\$320,825,238	\$147,771,095	\$468,596,332	
YE Capital Reserve Balance	\$11,620,316	\$7,922,930	\$8,753,441	\$7,338,201	\$5,733,489	\$5,733,489		\$12,478,865	
						Balance at year end 2016		Balance at year end 2021	

(1) Total columns use initial capital reserve balance for each noted period.