



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Sue Fahey, Finance Manager; Deborah Hart, Senior Financial Analyst
DATE: November 20, 2015
SUBJECT: Electric Operations & Maintenance (O&M) Budget Amendment
OBJECTIVE: Board Action – Approval of Electric O&M Budget Amendment

Issue

Per Board Policy EL-1, the approved budgets are the maximum level of expenditure authorized by the Board. Purchased power costs and depreciation expense are currently projected to end 2015 higher than budget. Accordingly, Management is requesting that the Board approve an amendment to the 2015 Electric O&M budget. Generation has been low, requiring that EWEB purchase additional power to cover its hedges as required for compliance to SD-8 and to support the EWEB budget. As a result, purchased power costs are expected to be higher than budget. Additionally, depreciation expense has been higher than budgeted.

Background

Electric purchased power costs are projected to exceed budget by approximately \$13 million which is partially offset by a positive budget variance of \$10 million in wholesale revenue. The remainder of the purchased power expense variance is primarily due to low generation. EWEB enters into hedge transactions to comply with SD-8 and preserve the value of the trading portfolio to provide financial stability. Occasionally, when generation is lower than anticipated, power purchases are necessary.

Depreciation expense is expected to be \$4.3 million greater than budget, primarily due to capturing shorter lived assets such as technology assets in the new fixed assets system. Depreciation is a non-cash transaction that does not impact current reserves. Departments are currently reporting approximately \$3.2 million of positive budget variances primarily as a result of the savings initiative work for the 2016 budget preparation. The budget amendment request is offset by this positive variance.

In summary, the requested budget amendment is as follows:

Account	Electric O&M Budget Amendment	
5550	Purchased power costs	\$ 13,000,000
4030	Depreciation	\$ 4,300,000
9302	Division Savings	\$ (3,200,000)
	Total request	\$ 14,100,000

Requested Board Action

Management recommends and requests that the Board approve the above budget amendment to increase the 2015 Electric O & M expense by \$14.1 million.