



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning, and Mital
FROM: Mel Damewood, Engineering Manager
DATE: February 19, 2015
SUBJECT: EL1 Capital Report for Q4 and Year End 2015.
OBJECTIVE: Information Only

Issue

As per EWEB's EL1 Financial Policy that was approved on February 4, 2014, EWEB staff has prepared and attached the 2015 Year End Capital Report for Electric, Water, and Shared Services for the Board.

Background

According to Financial Policy EL1:

Throughout the year, staff will provide the Board with quarterly financial reports that compare actual results with budget. Additionally, staff will provide the Board with quarterly updates for all current year projects on the Capital Improvement Plans. General Capital Renewal and Replacement projects (Type I) will be reported by category (e.g., substations, shared IT infrastructure, transmission & distribution mains). Infrastructure Rehabilitation & Expansion (Type II) and Strategic Projects (Type III) will be reported individually. Type II and III projects are further defined as those that are projected to be greater than \$1 million for the life of the project.

Management has attached three reports, Electric, Water and Shared Services Capital Q3 results for the Board's review.

Discussion

The year-end or 4th quarter 2015 EL1 report is a summary of EWEB's performance for 2015 for capital funded projects. It is also a good indicator, for projects that span multiple years, a time to reflect on the progress of scope, schedule, and budget of those projects as we start working in the context of the 2016 budget year.

As noted on the EL1 sheets for each reporting area, the actual spending figures are based upon un-audited year-end financial reports. Although there is not anticipated any major changes due to the audit, management will report back to the Board if significant differences are found.

Water

As noted in the Q3-2015 EL1 report and in correspondence with the Board in December of 2015, Water Capital had two Type 1 projects that went significantly over budget, but did not require Budget Amendments due to overall management of the Capital Budget. Management still kept the status in red to signify that for the year we went over the Type I budget, even though it is resolved, it is a reminder of overall performance in those areas.

For water Type 2 projects, several projects are over initial plan estimates, this is primarily due to the addition of seismic upgrades for each of those projects that was not accounted for in planning estimates, but was accounted for in the annual budgets. The LTD EmX Project for water was approximately 98% complete at the end of 2015, and EWEB is properly collecting all charges for related work from LTD in a timely manner.

Overall, Water had a \$14.97 million budget for capital, and pre-audit spending of \$13.37 million. This was 89% of budget, and the variance was primarily due to not purchasing property for AWS.

Electric

Type 1 projects are moving forward with some advanced spending on PUC and neutral upgrade work, trending ahead of schedule due to delays in the LTD EmX project for electric. In Type 2 projects, the Leaburg Roll Gate Projects are trending on schedule and budget, and Roll Gate #3 should start construction this late spring. Significant underspending occurred with the LTD EmX project, which has been delayed due to property and easement acquisitions. Also, the Downtown Network project is moving forward, but costs are under-reported due to pre-capitalization of transformer purchases, which was the only work on the DT Network in 2015. Design of the Network will accelerate in 2016. For Type 3, the Carmen Smith Relicensing Project spent less than anticipated as well.

Overall, the 2015 Electric capital budget was \$27.07 million and pre-audit expenditures amounted to \$17.25 million, or 64%.

Shared Services

Type 1 projects typically experienced under-runs for shared services, except for fleet. For IT, projects were purposely slowed down as internal resource adjustments were made. For Buildings and Land, the elevator project went back for redesign due to bids being well over budget and deferral of the fire system upgrade. For Type 2 projects, WAM is being closed out on the capital side, and came in at budget. AMI is moving forward and the CIS project is just starting up. The river front project also soon will be leaving the capital budget and expenditures for that project will show up on the O&M budget.

Overall, Shared Services had a 2015 capital budget of \$9.92 million and had pre-audit expenditures of \$4.83 million, or 49% of budget.

Recommendation and Action

This is an information item only, no action required. If you have any questions or wish to make

comments on the reports please contact Mel Damewood a 541-685-7145 or email at mel.damewood@eweb.org

Water Capital Projects Quarterly Status Report 2015-Q4

Type 1 - General Capital

Project	2015			Status/Comments
	Budget	YTD Actual	Q3 Year-End Projection	
Source - Water Intakes & Filtration Plant	\$575,000	\$622,000	\$600,000	● Includes AWS expenditures through second quarter. These were charged as Type 3 work for rest of year.
Mains - Replacements, Improvements, & Trans.	\$4,307,500	\$5,508,000	\$5,800,000	● Higher than anticipated main replacement costs combined with several opportunity and emergent projects lead to higher than anticipated expenditures.
Services and Meters	\$927,000	\$1,670,000	\$1,880,000	● Increased development and shift of service replacement costs from O&M to Capital caused expenditures to increase above budget.
Pump Stations	\$751,000	\$519,000	\$538,000	● Includes new Shasta 1150 pump station and emergent work at Santa Clara. Limited resources affected schedule on Shasta 1150
Reservoirs	\$24,000	\$0	\$0	● Nothing occurred in 2015.

These categories will match the Capital Improvement Plans (CIPs) submitted by Water & Electric.

Type 1 - General Capital is budgeted Year-by-Year for recurring capital expenditures from January through December. Typical Type 1 Capital includes categorized collections of projects of less than \$1 million.

Typical examples include "main replacements". This work typically involves dozens of jobs that add up to \$3-\$3.5 million per year.

Type 2 Rehabilitation & Expansion Projects

Project	2015			Project Total			Schedule			Status/Comments
	Budget	YTD Actual	Q3 Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Raw Water Intake Improvements	\$1,200,000	\$1,396,000	\$1,160,000	\$6,292,000	\$7,323,798	\$7,326,000	2011	YE-2013	YE-2015	● Intake 1 Upgrades complete, Construction at Intake 2 essentially complete. Costs exceeded initial plan as seismic upgrades were added to scope. Minor follow on work will be treated as Type 1 in 2016. (Initial Plan - 2011 CIP)
Hayden Bridge Filter S1-S6 Upgrades	\$1,452,500	\$872,000	\$860,000	\$7,713,000	\$4,909,690	\$8,160,000	2011	YE-2017	YE-2016	● Upgrade of Filters N1-N6 Complete. Construction of upgrades to Filters S1-S6 in progress. Siesmic improvements added to project which increased cost (Initial Plan - 2011 CIP)
Hayden Bridge Seismic Upgrades	\$480,000	\$472,000	\$430,000	\$1,215,529	\$1,117,067	\$1,710,000	2014	YE-2015	YE-2018	● Phase 1 (Basins and Filters) is complete. Phase 2 (Headhouse) deferred to 2017-2018. Phase 1 costs more expensive than anticipated. (Initial Plan - 2013 CIP)
Distribution System Scada/PLC Upgrades	\$315,000	\$207,000	\$195,000	\$3,079,780	\$317,109	\$2,040,000	2013	YE-2016	YE-2019	● Multi-Year upgrade project. 2014 first significant year of work. Developed standard and completed upgrade of first pump station. Currently working on the Crest System. (Initial Plan 2013 CIP)
Willamette 800 Reservoir No.1 Replacement	\$633,000	\$11,000	\$10,000	\$1,639,760	\$137,850	\$1,770,000	2013	YE-2014	YE-2017	● After evaluation, project changed from rehab to a replacement. Construction initially pushed back to 2015-2016. Construction further delayed to 2016-2017 to help manage other overages and emergent work. (Initial Plan 2013 CIP)
LTD EMX	\$2,600,000	\$1,589,000	\$2,100,000	\$0	\$2,617,862	\$3,280,000	2014	2015	Q1-2016	● EWEB mostly complete on water side. Only minor work remaining for Q1 2016.

Type 3 - Strategic Projects & Programs

Project	2015			Project Total			Schedule			Status/Comments
	Budget	YTD Actual	Q3 Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Alternative Water Supply	\$1,702,000	\$500,000	\$1,700,000	\$52,707,167	\$500,000	\$67,000,000	2014 with Planning	YE-2021	YE-2021	● Activites to date were minor and were tracked under Type 1 Work. This changed in 2015 as work ramped up. Property costs included in projections for 2015 however purchases did not occur. In negotiation at year end. Cost projection may change in 2016 as estimates are futher refined.

Total Water Capital (This Report) **\$14,970,000** **\$13,370,000** **89%**

Notes 1. Financials are based on year-end un-audited reporting. Any substantial adjustments during the year-end audit will be noted on the next EL-1 Report

Capital "EL1" Report: Electric, 2015-Q4 (Year-End)

Type 1 - General Capital				Note - Changes from previous report(s) are in BOLD														
Capital Category	2015 thru Q4 (Year-End)			Status/Comments														
	Budget (Includes Amendments)	YTD Actual	Year-End Projection (as of Q3)															
Electric Infrastructure - Generation	\$1,200,000	\$914,671	\$900,000	● Some rollover of 2015 work to 2016 will occur due to implementation delays, will reflect in April True-Up CIP adjustments only if necessary, absorption is possible. Total includes removal of \$428,280 reclassified to Rollgate #3 Re-Build. (ZINNIKER)														
Electric Infrastructure - Substations & Telecom	\$2,000,000	\$2,012,900	\$1,950,000	● The scope, schedule, and budget were nearly on target, with the completion of transmission breaker projects at Hilyard and Prairie, and the controls (RTU) replacement at Monroe. To meet budget and schedule during storm season, approximately \$150K of work was deferred to 2016. (LAWSON)														
Electric Infrastructure - Transmission & Distribution	\$8,200,000	\$6,429,197 (2)	\$7,000,000	● Due to delays in the LTD project, infrastructure renewal projects, including PUC and neutral updates, were ahead of schedule and over budget. Customer driven capital was lower than expected. Transmission work was light as expected (~\$112K), mostly including individual pole replacements (LAWSON/FRASER)														
Type 2 Rehabilitation & Expansion Projects				2015 thru Q4 (Year-End)			Project Total			Schedule			Status/Comments					
Project	Budget (Includes Amendments)	YTD Actual	Year-End Projection (as of Q3)	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion									
Leaburg Roll Gate #2 Re-Build	\$1,600,000	\$803,156	\$1,450,000	\$1,600,000	\$3,014,060	\$2,950,000	Jul-2012	Jun-2014	Feb-2015	● Substantial completion attained in February 2015, final construction work and system adjustments to occur in 2016. (ZINNIKER)								
Leaburg Roll Gate #1 Re-Build	\$2,000,000	\$1,915,346	\$2,000,000	\$2,000,000	\$1,915,346	\$2,000,000	Mar-2015	Nov-2015	Dec-2015	● Substantial completion attained in November 2015, punch list and final commissioning activities to complete in 2016. (ZINNIKER)								
Leaburg Roll Gate #3 Re-Build	\$400,000	\$428,280	\$500,000	\$1,550,000	\$428,280	\$1,550,000	Dec-2015	Nov-2016	Nov-2016	● Work scheduled to start in June with final completion expected by the end of 2016. (ZINNIKER)								
LTD EmX Project (Electric)	\$3,370,000	\$782,097	\$800,000	\$5,700,000	\$1,349,816	\$7,548,000	Sep-2013	---	Nov-2016	● EWEB electric work will be delayed because of a lack of property rights needed to release EWEB Operations and the contractor to work beyond the existing right of way, pushing more work into next year and winter months. (THOMAS)								
Upriver Re-Configuration/Holden Ck. Substation	\$500,000	\$103,765	\$139,000	\$3,000,000	\$114,965	\$5,700,000	Jan-2014	Oct-2015	Jul-2017	● With Board approval, the transformers and control house/switchgear purchases were approved at the end of 2015 for approximately \$1.8 million. The design is progressing with construction in 2016. BPA's project schedule supports energization in 2017. (LAWSON)								
Downtown Distribution Network	\$1,000,000	\$131,436 (2)	\$500,000	\$15,000,000	\$4,587,145	\$20,000,000	Sep-2010	Dec-2015	Dec-2019	● New technology still not released or demonstrated to allow greater customer generation in a Secondary Network (NW); deferring NW vs. radial decision, and slowing NW vs. radial planning. NW master Plan to be completed 2016 Q2. In 2016, work planned to break apart hospital 480V NW grid into three spot-NW configuration. (FRASER)								
Type 3 - Strategic Projects & Programs				2015 thru Q4 (Year-End)			Project Total			Schedule			Status/Comments					
Project	Budget (Prior to April Amendments)	YTD Actual	Year-End Projection (as of Q3)	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion									
Carmen Smith License Implementation	\$6,800,000	\$3,731,553	\$5,000,000	\$135,000,000	\$37,861,156	\$181,000,000	May-2009	Dec-2021	Dec-2025	● Settlement Agreement re-negotiation efforts (of scope) are on-going with the intention of improving project NPV projections based on updated forward power pricing forecasts. Carmen Plant work remains on track with the exception of crane rehabilitation (contract termination). (ZINNIKER/BOYLE)								
Total Electric Capital (This Report)	\$27,070,000	\$17,252,401	64%															

In the future, these categories will match the Capital Improvement Plans (CIPs) submitted by Water & Electric.

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Type 2 projects have "discrete" scopes, schedules (launch through completion), and cost over \$1MM during the project life.

Note(s) 1. Financials are based on year-end un-audited reporting. Any substantial adjustments during the year-end audit will be noted on the next EL-1 Report.
 2. Distribution transformers are being capitalized when received in inventory, therefore some projects in T&D and Downtown network are understated.

Capital "EL1" Report: Shared Services, 2015-Q4

Type 1 - General Capital		2015 - Q4		Note - Changes from previous report(s) are in BOLD	
Capital Category	Budget	YTD Actual	Year-End Projection (as of Q3)	Status/Comments	
General Plant - Information Technology (I.T.)	\$2,752,000	\$215,662	\$1,865,970	●	IS Capital was under target due to the end of the WISCA contract by the State of Oregon in Q3 which delayed some purchases, a shift in 2015 project work from Capital to O&M, and several project deferrals to 2016. (BARTON)
General Plant - Buildings & Land Management	\$1,900,000	\$740,296	\$1,300,000	●	HQ HVAC Project completion carried over to 1st quarter 2016. HQ Elevator Upgrade referred back to design following out of budget bids. HQ Fire System Upgrade deferred to 2016. (Simmons)
General Plant - Fleet Capital	\$1,713,000	\$1,664,818	\$1,267,118	●	All vehicles/equipment for electric operations were received and completed in 2105. All completed on Budget. (Lentsch)

In the future, these categories will match the Capital Improvement Plans (CIPs) submitted by Water & Electric.

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Type 2 Rehabilitation & Expansion Projects		2015		Project Total			Schedule			Status/Comments
Project	Budget	YTD Actual	Year-End Projection (as of Q3)	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
WAM	\$1,432,000	\$1,349,885	\$1,432,000	\$9,264,919	\$8,810,028	\$9,010,028	Jun-2013	Nov-2014	Jul-2016	● Primary efforts related to WAM Business Stabilization continue with the WAM Advancement Project, but are being charged to O&M and not Capital. Only minor additional capital work such as components remain. This work will be closed out with the planned completion of WAM Stabilization Phase A in Q3 2016. (BARTON)
AMI Information Technology & Integration	\$2,023,000	\$849,522	\$1,400,000	\$6,475,700	\$878,302	\$6,475,700	May-2015	Dec-2017	May-2018	● Project on track per status reporting. Unspent funds reflect work and invoices currently in process that may or may not complete December 31. If not, funds will need to be carried over. (Armstead)
Customer Information System (CIS) Replacement	\$0	\$0	\$0	\$9.7M	\$0	n/a	Sep-2016	Jan-2018	Jun-2018	● 2015 work was O&M. Capital execution will begin in 2016. (Barton)
River-Front Property Development	\$100,000	\$0	\$106,973	\$400,000	See Comment(s)	n/a	Feb-2006	n/a	2017	● \$2.5M transferred to the O&M project budget to reflect \$ spent to date for previous 10 years of work. Preparing agreements for surplus property disposition. This is no longer a Type II project and will be removed from the EL-1 report in 2016. (Newcomb)

Total Shared Services Capital (This Report) **\$9,920,000** **\$4,820,183** **49%**

Note(s) 1. Financials are based on year-end un-audited reporting. Any substantial adjustments during the year-end audit will be noted on the next EL-1 Report.