



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Carlson, Mital, Helgeson, Schlossberg and Brown
FROM: Rene Gonzalez, Customer Solutions Manager; Deborah Hart, Financial Services Manager; Jeannine Parisi, Customer Relationship Manager
DATE: March 10, 2019
SUBJECT: Business Growth and Retention Program Updates
OBJECTIVE: Information Only

Issue

As part of EWEB's strategic planning efforts and focus on continuous improvement, a number of initiatives are underway to make it easier to conduct business with EWEB. This memo focuses on one specific area of improvement, the Business Growth and Retention program.

Background

In response to the Great Recession and a desire for EWEB to participate more actively in promoting economic development in our service territory, in 2012 the Board adopted a *Business Growth and Retention Price Rider and Loan Program (BGR)*. In developing the program, EWEB joined many other utilities across the country that offer similar economic development incentives. The loan program assists commercial customers with upfront utility infrastructure costs, while the price rider provides an incentive price for customers who add a minimum of 200 kilowatts (kW) of billing demand based on the differential between wholesale and retail prices.

A recent programmatic review was conducted and even though based on a solid framework, the eligibility requirements and the evaluation process relied on a high degree of subjectivity. Since established, fewer than ten business customers have taken advantage of these offerings.

Management proposes implementing more objective standards for participation, streamlining program administration, and offering increased flexibility to potential participants while managing financial risk to EWEB. Recommended changes include:

1. Increased Flexibility

- Reduce the new demand threshold for program eligibility from 200 to 100 kW and add a minimum new revenue requirement of \$50,000 annually. This ensures that new equipment with high demand that runs infrequently and has the potential to further increase peak load is not the basis for participation.

- Instead of a three-year incentive price for every project, allow for two through four year terms based on the projected economic value of the project.

2. Standardize Eligibility Criteria

- Modify the environmental and community benefit criteria to align with current EWEB strategic direction, and use simple yes/no responses to reduce subjectivity.
- While the program participation screening tool will still use a triple-bottom line framework, emphasis will be on objective criteria: 1) amount of increased load, 2) expected new EWEB revenue, 3) demand response potential, and 3) cost to customer for needed utility infrastructure. Projects with higher value and alignment with EWEB's strategic direction can qualify for the price rider up to four years.

3. Streamline Administration

- Set the incentive amount annually based on the differential between the forward Mid-C price curve and retail pricing for that rate class rather than on a back-cast every six months. In addition to ease of administration, this process creates more certainty for the customer and EWEB. Financial risk to EWEB is minimized by adjusting this value annually.
- Instead of decrementing the customer's portion of the price differential over the contract term, use a fixed percentage for the BGR contract duration such that the calculated incentive equates to approximately a 15% rate discount for medium and large general service customers.

4. Promote Customer Confidence

- Apply the incentive as a bill credit annually in December with notification to the customer of amount in advance of bill receipt.

A financial impact analysis was conducted to assess how this methodology differs from the previous one. Using one of the past participants as a proxy, the customer incentive would have increased \$2,000 annually to \$22,000 and would qualify for four years of incentives rather than three. The additional revenue generated by the new load over those four years was calculated at \$485,000.

TBL Assessment

The BGR is intended to provide short-term discounted electric pricing to support business growth when such development demonstrates clear economic, environmental and community benefits. Like the original program, the eligibility screening tool would use a triple bottom line framework to assess the economic, environmental and community benefits of a given project. To reduce subjectivity, the environmental and social criteria would be updated to focus on areas that could reasonably be verified, such as planned participation in energy or water efficiency programs, carbon reduction technology, and number of new jobs created.

Recommendation

Changing the Business Growth and Retention Price Rider kilowatt eligibility and incentive calculation requires public notification, public hearings, and Board approval. With general Board guidance and/or concurrence to simplify, streamline and enhance access to the program as described, Management recommends that staff begin the notification process and bring back a revised BGR-1 Price Schedule for Board approval at a later meeting.

Requested Board Action

None at this time.