



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Carlson, Mital, Helgeson, Schlossberg and Brown

FROM: Rod Price, Chief Operating Officer; Rich Fatooh, Engineering Technician IV;
Jeannine Parisi, Customer Relationship Manager

DATE: March 12, 2019

SUBJECT: Downtown Network Pricing Update

OBJECTIVE: Information Only

Issue

This is the second of two progress reports on process improvements intended to make it easier to conduct business with EWEB. This memo is specific to the Downtown Network.

Background

Downtown Eugene is the economic, cultural and governmental hub for the City, with some \$300 million in recent public and private investments. Additional growth is on the horizon, including both commercial buildings and multi-family residential projects.

Eugene's urban core is served via the downtown secondary network, which has specialized equipment and installation standards. While customers in the network benefit from exceptionally high power quality and reliability, the upfront infrastructure costs are typically higher than a similar service extension outside the network. Such costs can be a barrier to downtown development, particularly if high reliability is not a business decision driver.

At the July 2018 meeting, EWEB commissioners asked Management to look for flexibility in its service extension policy for specific types of economic development and community benefit projects. In a follow-up discussion in October, Management shared some early thinking specific to service connection costs in the downtown network, which has since been refined.

Discussion

Consistent with EWEB's long-standing policy, it is the developer's responsibility to pay all costs associated with the additional capacity needed to serve development in the secondary network. What is a bit different is that the network transformers come in just two sizes and are required to be housed in either an underground vault or in a utility room in the new building. In addition to other specialized network requirements, downtown developers may experience unexpectedly high infrastructure costs for excess capacity they can't fully utilize. While one developer will bear the total costs for this capacity, the next developer breaking ground can take advantage of this prior investment and avoid these extra costs. As a result, the costs to develop in the network are location dependent, vary widely, and are difficult to predict.

Because the downtown network interconnects with other existing network customers, all customers benefit when more redundancy is built. Given this broader benefit, Management believes it is reasonable for EWEB pay some of the upfront costs and recover them over time for new load in the network, thereby reducing the barrier to entry that exists today. Those costs would be recovered over time as other customers accessed the network. This cost-share would not apply to ‘spot networks’ that only benefit a single development, or to the developers’ substructure costs (vaults, service laterals, etc.).

Management proposes replacing the current cost structure with a downtown network service connection charge that is based on standard requirements to provide service to projects within the Downtown Network. This change is intended to establish more predictability in network infrastructure costs, reduce price disparity between similarly-sized projects, and enable staff to be more responsive to developer requests for high level cost estimates early in their project scoping.

A downtown service connection charge differs from the current pricing model in the following key ways:

- All customers adding new load to the network will pay a service connection charge scaled to the amount of new load required regardless of existing capacity. This establishes a level playing field compared to the existing situation where a developer’s cost exposure is based on the available capacity (or lack thereof) at a particular downtown location.
- EWEB’s contribution is narrowly limited to capital equipment that provides reliability benefits to other network customers. This investment would be recovered over time as other customers connect to the network and pay their proportional share of installed equipment. If no future development materializes, unrecovered costs would be approximately \$65,000 per year; however reliability has increased.
- A standardized network connection charge promotes transparency and consistency for customers, as well as ease of administration for staff.

TBL Assessment

No formal TBL has been conducted. However, this change mitigates the current incentive to choose natural gas to avoid additional equipment costs, equitably and cost-effectively reducing community and regional carbon emissions. Encouraging development in the downtown core not only has broad economic benefits, it facilitates more efficient transportation options, particularly for people who live and work there. This change would require an increase to EWEB electric capital plans of approximately \$50,000-\$100,000 a year, and is unlikely to impact customer pricing as the capital investment will be reimbursed as new development occurs.

Recommendation

Implementation requires policy updates and therefore Board action that with general direction at this time, can be prepared for a future meeting.

Requested Board Action

None at this time.