



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Schlossberg, Brown, Carlson, Barofsky, and McRae
FROM: Deborah Hart, CFO; Adam Rue, Fiscal Services Supervisor
DATE: December 1, 2021
SUBJECT: Electric O&M and Capital Budget Amendments
OBJECTIVE: Approval of Resolution No. 2121

Issue

Per Board Policy EL-1, the approved budgets are the maximum level of expenditure authorized by the Board. Management is projecting costs will exceed budget for the Electric Utility this year due to higher purchase power costs as well as a shift in overhead from capital to O&M due to lower capital spending. Management is requesting Board approval of a budget amendment. No budget amendment(s) are expected for the Water Utility this year.

Discussion

Annually the finance staff project year end variances to budget. Similar to prior years, certain Electric Utility actual costs are expected to exceed the O&M budgets, and some have shifted between the capital and O&M budgets. The variances have been outlined in the table below. There are two operational changes impacting the budget amendment request.

First, purchase power costs are expected to exceed budget by \$25.1 million, primarily due to higher wholesale market prices, increased retail demand, which required additional purchases, and portfolio balancing activity. The increased wholesale market prices impacted both purchased power costs and wholesale revenue, as did the increased portfolio balancing activities. The additional wholesale revenue is expected to exceed budget by \$19.2 million, offsetting the purchase power costs. The retail demand is expected to exceed budget resulting in \$6.7 million of additional retail revenue.

Second, lower projected capital spending shifted costs from capital to O&M.

| | <u>Electric</u> |
|---|-----------------|
| Approved Operations & Maintenance Budgets | \$217,700,000 |
| <i><u>Operational Changes:</u></i> | |
| Purchase Power | \$25,100,000 |
| Shift of Labor and Overhead from Capital to O&M | \$3,900,000 |
| Total Projected O&M Budget Amendment | \$29,000,000 |
| Total Projected O&M Budgets | \$246,700,000 |

Capital Budget

The shift from Capital to O&M for the Electric Utility is anticipated to increase O&M by \$3,900,000 and therefore lower the budget capital spending. The driver for the decrease includes a shift of capital overhead and labor costs to O&M due to deferred work due to labor shortages and supply chain delays.

| | <u>Electric</u> |
|---|----------------------|
| Approved Capital Budget | \$51,300,000 |
| <i><u>Operational Changes:</u></i> | |
| Shift of Labor and Overhead from Capital to O&M | <u>(\$3,900,000)</u> |
| Total Projected Capital Budget Amendment | (\$3,900,000) |
| Total Amended Capital Budget | \$47,400,000 |

Requested Board Action

Management recommends and requests that the Board approve Resolution No. 2121 to increase the Electric O&M budget by \$29.0 million, reduce Electric Capital budget by \$3.9 million

**RESOLUTION NO. 2121
DECEMBER 2021**

**EUGENE WATER & ELECTRIC BOARD
2021 BUDGET AMENDMENT**

WHEREAS the Eugene Water & Electric Board (EWEB) is the body designated by the City of Eugene Charter and Code to administer the Eugene Electric and Water Utilities;

WHEREAS Oregon Revised Statute 225.230 requires municipal utilities to make an annual written estimate of probable expenses to establish spending authority;

WHEREAS the Eugene Water & Electric Board anticipates expenditures in excess of that authority;

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves an increase to the Electric Utility Operations & Maintenance budget of \$29.0 million and a decrease in the Electric Utility Capital Budget of \$3.9 million.

Dated this 7th day of December 2021.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its December 7, 2021 Regular Board meeting.

Assistant Secretary