



TO: Commissioners Brown, Carlson, Barofsky, McRae, and Schlossberg
FROM: Deborah Hart, CFO; TiaMarie Harwood, Financial Services Manager; Aaron Balmer, Fiscal Services Supervisor; Alicia Voorhees, Lead Financial Analyst; Ryan Hawkins, Sr Financial Analyst
DATE: November 30, 2022
SUBJECT: Electric and Water Utility 2022 Budget Amendments
OBJECTIVE: Approval of Resolution No. 2232

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. The Water Utility is also projecting Operation & Maintenance (O&M) costs to exceed budget due to watershed recovery efforts as well as a shift in costs from capital to O&M due to timing in capital spending. Management is requesting Board approval of budget amendments.

Discussion

Throughout the year, finance staff monitor and project year end variances to budget. Variances have been outlined in tables below.

Electric and Water Operations and Maintenance Budgets

| | <u>Electric</u> | <u>Water</u> |
|---|-----------------|--------------|
| Approved Operations & Maintenance Budgets | \$256,152,000 | \$26,515,000 |
| <u>Operational Changes:</u> | | |
| Purchase Power | 22,000,000 | - |
| Watershed Recovery | - | 1,200,000 |
| Shift from Capital to O&M | - | 1,500,000 |
| Total Projected O&M Budget Amendment | \$22,000,000 | \$2,700,000 |
| Total Projected O&M Budgets | \$278,152,000 | \$29,215,000 |

An increase of \$22.0 million to Electric O&M budgets is requested as purchase power costs are expected to exceed budgeted amounts due to increased retail demand and portfolio balancing activity. Due to a strong water year, additional wholesale revenue is projected to exceed budget by \$16 million. In addition, retail demand is projected to exceed budget by \$9 million. Favorable revenues in retail and wholesale more than offset additional purchase power costs.

Watershed recovery efforts leveraged grant programs and partnership funding through the course of 2022. The requested additional spending authority of \$1.2 million corresponds to increased watershed efforts tied to grant programs and partnerships. Grant revenue and reimbursable work offset this increased level of spending.

Deferred capital activity related to distribution system facilities, pipes, and services has shifted labor, equipment, and material costs from capital to O&M. An increase in O&M costs is requested and offset by a decrease to capital budgets as noted below.

Water Capital Budgets

The shift from Capital to O&M for the Water Utility is anticipated to increase O&M by \$1.5 million and would typically reduce budgeted capital spending. However, contracted construction projects are anticipated to carry pace into the end of the year and \$1.5 million is recommended to maintain sufficient budget authority for ongoing work.

Contracted capital activities, such as the East 40th storage project, do not cause a transfer of costs from capital to O&M the same way internally resourced work does and are contingent on the timing and pace of work. Accordingly, overall capital spending is expected to be at budget for the year, however due to the nature of the projects, there is an expected shift to O&M for some costs that had previously been budgeted in capital.

The net effect to capital budgets does not require an amendment.

| | <u>Water</u> |
|--|--------------|
| Approved Capital Budget | \$29,131,000 |
| <i><u>Operational Changes:</u></i> | |
| Shift from Capital to O&M | (1,500,000) |
| Contracted Capital | 1,500,000 |
| Total Projected Capital Budget Amendment | - |
| Total Amended Capital Budget | \$29,131,000 |

Recommendation and Requested Board Action

Management recommends and requests that the Board approve Resolution No. 2232 to amend Electric and Water budgets as outlined in this memo.

**RESOLUTION NO. 2232
DECEMBER 2022**

**EUGENE WATER & ELECTRIC BOARD
2022 BUDGET AMMENDMENT**

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 \$22.0 million, and an increase to the Water Utility Operations & Maintenance budget of \$2.7 million.

Dated this 6th day of December 2022.

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 6, 2022 Regular Board meeting.

Assistant Secretary