

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve price agreements with **Eurofins Eaton Analytical, LLC**; and **Neilson Research Corporation** for **Water Quality Analytical Testing Services**.

Board Meeting Date: December 6, 2022
Project Name/Contract #: Water Analytical Testing Services / 22-117-1-S & 22-117-2-S
Manager: Mike Masters Ext. 7549
Executive Officer: Karen Kelley Ext. 7153

Contract Amount:

Original Contract Amount: \$200,000
Additional \$ Previously Approved: \$0
Spend over last approval: \$0
Amount this Request: \$200,000
Percentage over last approval: NA
Resulting Cumulative Total: **\$200,000 (Over 5 years)**

Contracting Method:

Method of Solicitation: Formal Request for Proposals (RFP)
If applicable, basis for exemption: NA
Term of Agreement: Up to 5 years
Option to Renew? Yes, annually up to 5 years total
Approval for purchases "as needed": Yes No
Proposals/Bids Received (Range): Lot 1: X (\$22,665.00 - \$34,915.80) / Lot 2: X (\$7,575.00 - \$7,863.75)
Selection Basis: Highest Ranked Proposer, by Lot

Narrative:

Operational Requirement and Alignment with Strategic Plan

As a public waters system, EWEB is required by the EPA Safe Drinking Water Act and the Oregon Administrative Rules to perform water quality monitoring for drinking water. The scope of work for these proposed contracts, is public water system analysis of pretreated, treated, finished and distribution system water samples. These analytical services allow EWEB to comply with various regulations required of a public water provider and to identify potential threats to the drinking water. If needed, the contracts will also cover preliminary monitoring at the proposed second source location.

Contracted Goods or Services

This RFP included two "lots" that grouped similar classes of analysis allowing labs to bid on one or more of these lots. The two lots included Lot 1: Drinking Water Analytical Testing Services – Common List of Regulated Contaminants, and Lot 2: Drinking Water Analytical Testing Services – Advanced Analytical Procedures.

Purchasing Process

In September 2022, Staff issued a formal request for proposals seeking responses from firms interested in providing water quality analytical testing services for the next five years. Staff anticipated one award, with one supplemental

award for Lot 1, based on the service models of analytical labs. Pricing and services for the solicitation was broken into two distinct lots – each organized into specific service needs and evaluated independently. Scoring was based on evaluation criteria that included reporting and detection limits, turnaround time, and price. Three responses were received, and the highest ranked responsive and responsible proposal was from Eurofins Eaton Analytical, LLC, with Neilson Research Corporation being the second highest ranked responsive and responsible proposal for Lot 1 – Common List of Regulated Contaminants. These are proposed five-year contracts with purchases made as needed.

Bids Received (Lot 1 - Common List of Regulated Contaminants)

Vendor Name	City, State	Offered Price	Ranking (for RFPs)
Eurofins Eaton Analytical, LLC	Monrovia, California	\$22,665	1
Neilson Research Corporation	Medford, Oregon	\$34,916	2

Bids Received (Lot 2 - Advanced Analytical Procedures)

Vendor Name	City, State	Offered Price	Ranking (for RFPs)
Eurofins Eaton Analytical, LLC	Monrovia, California	\$7,575	1
BSK Associates	Fresno, California	\$7,864	2

Prior Contract Activities

Recent Eurofins Eaton Analytical, LLC Contracts for Similar Services

EWEB Contract	Project Name (Description)	Board Approved Date	Project Duration (Start to Close)	Original Amount	Final Amount	Reason Code
002-2018	Water Quality Analytical Services	09/04/18	09/04/18-Present	\$316,024	\$391,024	
PO 11871	Water Quality Compliance Monitoring (for 2018)	NA	12/13/17-03/15/19	\$11,500	\$16,500	

Reason Code: AM = Additional Materials, AW = Additional Work, EW= Emergency Work, SD = Staff Directed, UC = Unforeseen Conditions, Other

Recent Neilson Research Corporation Contracts for Similar Services

EWEB Contract	Project Name (Description)	Board Approved Date	Project Duration (Start to Close)	Original Amount	Final Amount	Reason Code
PO 30386	Drinking Water Compliance Monitoring to Support the Public Water System	NA	08/24/22-Present	\$10,000	\$10,000	
PO 13091	Drinking Water Compliance Monitoring	NA	04/10/18-03/15/19	\$9,500	\$19,500	

Reason Code: AM = Additional Materials, AW = Additional Work, EW= Emergency Work, SD = Staff Directed, UC = Unforeseen Conditions, Other

ACTION REQUESTED:

Management requests the Board approve price agreements with Eurofins Eaton Analytical, LLC; and Neilson Research Corporation for Water Quality Analytical Testing Services. Approximately \$40,000 dollars is allocated annually from the Water Resources and Quality Assurance, Section 378, Operations and Maintenance Budget of \$11.5 million.

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a new contract with **General Pacific Inc.** for **Single Phase Polemounted transformers.**

Board Meeting Date: December 6, 2022
Project Name/Contract #: Single Phase Polemounted Transformers / 22-210-G
Manager: Tyler Nice Ext. 7419
Executive Officer: Karen Kelley Ext. 7153

Contract Amount:

Original Contract Amount: \$2,000,000
Additional \$ Previously Approved: \$0
Spend over last approval: \$0
Amount this Request: \$2,000,000
% Increase over last approval: NA
Resulting Cumulative Total: **\$2,000,000**

Contracting Method:

Method of Solicitation: Direct Negotiation
If applicable, basis for exemption: EWEB Rule 3-0275 Sole Source Procurements
Term of Agreement: Initial term is one (1) year
Option to Renew? Yes, annually up to five (5) years total
Approval for purchases "as needed": Yes No
Proposals/Bids Received (Range): NA
Selection Basis: Sole Source Supplier

Narrative:

Operational Requirement and Alignment with Strategic Plan

This proposed Contract is for the purchase of a select number of single phase polemounted transformers for use in our electric distribution system. EWEB has placed several orders under recently approved contracts to mitigate the significant shortage of these items due to long lead times and rising costs. If approved, this contract will serve to secure production slots of 100 transformers annually.

Contracted Goods or Services

The transformers to be purchased under this contract include varying quantities of 28 different classes of single phase polemounted transformers to be stocked and stored in EWEB's Transformer Shop for as-needed use in our electric distribution system. EWEB will be allotted 20 production slots five times a year: January, March, May, July, and November.

Purchasing Process

In a continued effort to source these transformers, Purchasing posted a formal Invitation to Bid (ITB) on OregonBuys that resulted in one bid from General Pacific. General Pacific bid Howard Industries single phase

polemounted transformers with unit prices up to 8-10 times the current ERMCO costs and some with a 50-75+ week lead time. Due to the scarcity of this equipment, EWEB’s normal contracting paths did not bid and are not accepting orders. This bid does not meet our needs.

To meet our needs more closely, General Pacific submitted an alternate proposal, separate from the bid, that would provide EWEB to have 100 product slots annually, for up to five years, for ERMCO’s single phase polemounted transformers. Securing these transformers will help reduce delays to customer work associated with electric distribution service upgrades and new services requiring new transformers, respond to future outages due to failures or storms, and will allow EWEB to continue with planned reliability and strategic capital work. Order cancellation terms allow for canceling this order up to cutting. Should EWEB be able to secure a more competitive contract or not need these units, staff will cancel this order to ensure idle stock of this cost is not kept on hand.

Bids Received

NA

Competitive Fair Price

NA – Sole source agreement

Prior Contract Activities

EWEB Contract	Project Name (Description)	Board Approved Date	Project Duration (Start to Close)	Original Amount	Final Amount	Reason Code
21-055-G	Deadfront Padmount Switchgears	5/4/2021	5 years	\$695,000	TBD	
21-262-G	Single Phase Padmounted Transformers	3/1/2022	One-time purchase	\$1,534,000	TBD	
22-143-G	Single Phase Padmounted Transformers	8/2/2022	1 year	\$250,000	TBD	
Reason Code: AM = Additional Materials, AW = Additional Work, EW= Emergency Work, SD = Staff Directed, UC = Unforeseen Conditions, Other						

ACTION REQUESTED:

Management requests the Board approve a new contract with General Pacific, Inc. for single phase polemounted transformers. Severe price increases were accounted for in the 2023 capital budget of \$3.15 million budgeted for distribution transformers of the \$76.3 million Electric Division Budget. Variances will be managed within the budget process and Board policy.

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve additional funds to the contract with **McKenzie Watershed Alliance** for **Instream Large Wood Restoration Projects** required due to the Holiday Farm Fire.

Board Meeting Date:	December 6, 2022	
Project Name/Contract #:	Instream Large Wood Restoration Projects / 22-023-S	
Manager:	Mike Masters	Ext. 7549
Executive Officer:	Karen Kelley	Ext. 7153

Contract Amount:

Original Contract Amount:	\$800,000 (March 1, 2022)
Additional \$ Previously Approved:	\$0
Spend over last approval:	\$0
Amount this Request:	\$700,000
% Increase over last approval:	87.5%
Resulting Cumulative Total:	\$1,500,000

Contracting Method:

Method of Solicitation:	Direct Negotiation
If applicable, basis for exemption:	Sole Source
Term of Agreement:	Initial term is 1 year
Option to Renew?	Yes, annually up to 5 years total
Approval for purchases "as needed":	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Proposals/Bids Received (Range):	NA
Selection Basis:	Sole Source

Narrative:

Operational Requirement and Alignment with Strategic Plan

In 2018, EWEB's Board of Commissioners approved a 10-year strategic plan to protect the McKenzie Watershed as EWEB's sole source of drinking water for nearly 200,000 people. As indicated in the strategic plan, EWEB and the partners have established a program to protect and improve riparian conditions on private lands, known as the Pure Water Partners (PWP) Program. In September 2020, the Holiday Farm Fire burned over 170,000 acres (over 20%) of the McKenzie River Watershed and destroyed over 500 homes. In coordination with the PWP (McKenzie River Trust, McKenzie Watershed Alliance, and Upper Willamette Soil & Water Conservation District), USFS, BLM and other state and local entities, EWEB is working on designing and implementing large scale restoration projects in key tributaries to the McKenzie River to mitigate and buffer the impacts of upstream fire impacted landscapes on water quality.

The Board is being asked to approve an increase to the contract with the McKenzie Watershed Alliance (the 501(c)3 entity of the McKenzie Watershed Council) for providing design, project management and coordination, and

subcontractor selection and oversight to implement sourcing large wood with root wads (if feasible) for instream large wood restoration projects in key tributaries. This is to incorporate the large floodplain restoration work of the Quartz Creek ecosystem and the first decommissioning phase of the Delta Campground. The services will be reimbursed in the amount of 75-100% by the Oregon Watershed Enhancement Board (OWEB) wildfire recovery grant.

Contracted Goods or Services

The McKenzie Watershed Alliance (MWA) is working with the Bureau of Land Management (BLM) on sourcing hazard trees within the McKenzie corridor for continued flood plain restoration projects as part of the larger efforts to rehabilitate the McKenzie River from the devastation of the 2020 wildfire.

The total increase is estimated at \$700,000, which provides design, sourcing, and placement of large wood for the Delta Campground Decommissioning Project and the Quartz Creek Ecosystem Resiliency Project, a large-scale restoration project in the lower 2-miles of Quartz Creek. The Quartz Creek project will re-establish multi-threaded channels, promote depositional river environments, and maximize connectivity across 181 acres of floodplain in Quartz Creek through the removal of streamside berms, redistribution of approximately 190,000 cubic yards of sediment within incised channels, placement of 8,800 pieces of large wood, and the replacement of a 49-foot bridge with a 116-foot span bridge. Large wood will be sourced from a combination of both public and private sites including properties enrolled in the PWP. The anticipated completion date for phase one of the wood-sourcing activities associated with the Quartz Creek Ecosystem Resiliency Project is May 15, 2024. The bridge replacement will occur in the summer of 2023, and in-stream project elements during the summer of 2024, pending outstanding funding applications. Additional task orders will be assigned on an as-needed basis and are part of the OWEB grant budget and scope of work. EWEB and MWA will negotiate each Scope of Work, staffing plan, delivery schedule, and compensation for each Task Order prior to the work being performed.

Purchasing Process

Sole Source

Prior Contract Activities

EWEB Contract	Project Name (Description)	Board Approved Date	Project Duration (Start to Close)	Original Amount	Final Amount	Reason Code
20-184	Deer Creek Enhancement	NA	8/2020-8/2025	\$65,000	\$65,000	
21-071	Upper Willamette Education Initiative	NA	3/2020-3/2025	\$20,400	\$20,400	
22-102	Deer Creek Phase 4 Floodplain Restoration	6/7/22	6/2022-12/2022	\$425,000	\$445,000	
Reason Code: AM = Additional Materials, AW = Additional Work, EW= Emergency Work, SD = Staff Directed, UC = Unforeseen Conditions, Other						

ACTION REQUESTED:

Management requests the Board approve an increase to the contract with McKenzie Watershed Alliance for instream large wood restoration projects required due to the Holiday Farm Fire. Approximately \$800,000 was planned for these services in the Holiday Farm Fire Restoration 2022 budget of \$4,275,000. EWEB has the option of using the \$4 million OWEB wildfire recovery grant awarded to EWEB to fully reimburse this project but may choose to use a lesser amount in order to fund other emergent priorities. Variances will be managed within the budget process and Board policy.

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a contract with **Palouse Power, LLC** for the **Demolition and Construction of Currin Substation**.

Board Meeting Date: December 6, 2022
Project Name/Contract #: Currin Substation Rebuild / 22-181-PW
Manager: Tyler Nice Ext. 7419
Executive Officer: Karen Kelley Ext. 7153

Contract Amount:

Original Contract Amount: \$7,100,000
Additional \$ Previously Approved: \$0
Spend over last approval: \$0
Amount this Request: \$7,100,000
% Increase over last approval: NA
Resulting Cumulative Total: **\$7,100,000**

Contracting Method:

Method of Solicitation: Formal Invitation to Bid
If applicable, basis for exemption: NA
Term of Agreement: Completion by December 29, 2023
Option to Renew? No
Approval for purchases "as needed": Yes No
Proposals/Bids Received (Range): 2 (\$7,072,542 to \$8,775,463)
Selection Basis: Lowest Responsive and Responsible Bidder
Narrative:

Operational Requirement and Alignment with Strategic Plan

Currin Substation is a major piece of the "resilient spine" for the Central Zone of EWEB's electric system providing one of the connections to BPA and the Upriver territory. This station is beyond useful life (based on age and condition) and has been prioritized for a full rebuild due to the extent of work required.

The rebuild of Currin Substation will utilize several design and material purchase contracts previously approved by the Board including:

- Substation Design (21-102-Q)
- Power Transformer (20-158-G)
- 115kV Switches (22-018-G)
- 115kV Circuit Breakers (21-226-G)
- 115kV Potential Transformers (22-024-G)
- Deadend Structures (22-105-G)
- Control House (22-124-G)

This rebuild will improve the operation of Currin Substation in several ways including: standardizing the substation design, improved electric and seismic reliability of the transmission equipment and the distribution equipment,

and be more environmentally sound by removing over 27,000 gallons of mineral oil from this substation and installing a proper oil containment system around the new power transformer as well as the transformer being filled with environmentally friendly natural ester fluid.

Contracted Goods or Services

If approved, Contractor will deconstruct, dispose of existing equipment per all applicable requirements, and rebuild Currin Substation from the ground mat up per the completed design using a combination of EWEB supplied major equipment and contractor supplied incidental equipment. The rebuild will include site access improvements, a new substation layout, and new drainage and stormwater management per City of Eugene requirements.

Contractor will purchase most materials required for this work except for major electrical equipment which will be provided by EWEB and purchased using prior Board approved contracts (see previous section listing).

Contractor will perform preliminary tests on all installed equipment to final connections. Testing and functional commissioning will be completed by EWEB Crews and Engineering.

Purchasing Process

In September 2022, in accordance with the public procurement rules, EWEB initiated an Invitation to Bid (ITB) using the Formal Invitation to Bid Process. The ITB was advertised on the State of Oregon bid site, OregonBuys, and the Daily Journal of Commerce.

Two bids were received, and the lowest responsive and responsible bid was from Palouse Power, LLC.

Bids Received

Vendor Name	City, State	Offered Price	Ranking (for RFPs)
Palouse Power, LLC	Quincy, WA	\$7,072,542	NA
Michels Pacific Energy, Inc.	Tumwater, WA	\$8,775,463	NA

Competitive Fair Price

The Invitation to Bid was formally advertised on the State of Oregon’s solicitation site, OregonBuys, as well as the Daily Journal of Commerce. Staff queried several contractors who attended the mandatory pre-bid meeting but did not submit a bid, and those that responded indicated that current workload prevented them from bidding, or they didn’t meet the minimum qualifications. A Schedule of Values comparison was used to help verify that bids were reasonable. Prices were generally consistent across most categories.

Prior Contract Activities

NA

ACTION REQUESTED:

Management requests the Board approve a contract with Palouse Power, LLC for the demolition and construction of Currin Substation. Approximately \$12 million is budgeted specifically under the 2023 Type 2 Electric T&D Strategic Project and accounted for under the total Electric Capital Budget of \$76.3 million. Variances will be managed within the budget process and Board policy.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Carlson, Barofsky, McRae and Schlossberg
FROM: Megan Capper, Energy Resources Manager; Ben Ulrich, Interim Power Planning Supervisor
DATE: December 6, 2022
SUBJECT: EWEB Avoided Cost Prices Update
OBJECTIVE: Board Action – Approval of Resolution No. 2231

Issue

The Federal Public Utility Regulatory Policy Act (PURPA) requires that utilities buy power from certain “qualified facilities” at prices based on their “avoided cost” (that is, prices that should hold utility customers harmless). Under federal and Oregon state regulations, EWEB is required to file with the Oregon Public Utilities Commission (PUC) power prices that reflect EWEB’s long-term avoided costs. The PUC filing updates prices for material changes in market, or EWEB’s underlying portfolio, which would change EWEB’s avoided cost profile. The filing must be made at least once every two years, and EWEB’s last filing was made on December 29th of 2020, for an effective date of January 1st of 2021. The attached Resolution No. 2231 updates EWEB’s avoided cost prices starting in 2023.

Background

Under PURPA, electric utilities have an obligation to purchase power from electric generation projects that meet certain size, fuel type, and efficiency criteria. PURPA, passed in 1978, was one of the national responses to oil shortages which occurred during that decade. One of its primary purposes was to increase renewable generation and cogeneration¹.

Projects that meet the criteria are known as *qualifying facilities*, or QFs. Under PURPA, electric utilities are required to pay QFs a price equivalent to what the utility would have paid *but for* the QF. This price is known as the avoided cost price, essentially the cost to the utility of its alternative source of power besides the QF.

It was left to the states to implement this act. By statute, EWEB is considered a nonregulated utility², and under most circumstances EWEB is not subject to regulation by the PUC. However, one exception is that EWEB is required to file a document listing EWEB’s long-term avoided costs with the PUC. The PUC does not review or approve this document, but accepts EWEB’s filing of avoided cost prices, and makes them available to all interested parties. Not filing updated avoided cost prices with the PUC is not an option under OAR 860-029-0080(2) which states,

By January 1 of each odd-numbered year, each nonregulated utility must prepare and file with the Commission a schedule of avoided costs equaling the nonregulated utility’s forecasted incremental cost of resources over at least the next 20 years.

In recent years, EWEB has not been approached by any qualifying facilities because our avoided costs have been too low for developers to justify building a project.

¹ Also sometimes referred to as combined heat and power projects, cogeneration is more efficient, and yields more useful energy output from a given amount of natural gas or coal.

² An entity providing retail electric utility service to Oregon customers that is a people’s utility district organized under ORS Chapter 261, a municipal utility operating under ORS Chapter 225, or an electric cooperative organized under ORS Chapter 62.

Discussion

Avoided cost prices are “standard offer” power purchase prices for all generation facilities that meet the criteria of the standard offer contract. In concept it is very much like EWEB’s Distributed Generation program, for which the Board approves prices and restricts which types of generation qualify. Under Oregon’s PURPA rules, the standard offer prices only apply to QFs under 10 MW of nameplate capacity (3 MW for Solar QFs), and projects above that size would need to pursue a non-standard contract and price offering.

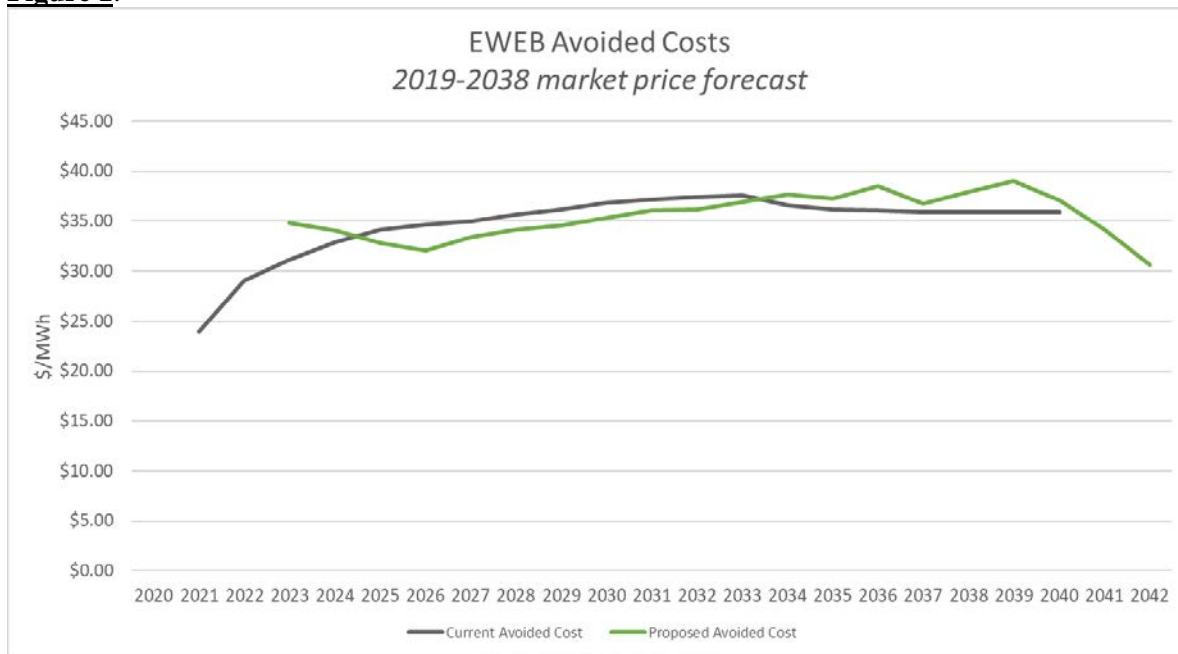
If a QF accepts EWEB’s published avoided cost prices, EWEB will be obligated to purchase from the QF generator at a fixed cost price for up to 15 years (20-year overall contract term). However, as EWEB is currently forecasted to be surplus energy, the incremental QF purchases would most likely result in additional energy sales to the wholesale market. As such, EWEB considers our avoided cost to be a purchase from the market, and EWEB’s avoided costs prices reflect forecasted power market prices.

EWEB is currently updating the integrated Resource Plan (IRP) and is expected to publish its findings in mid-2023. Depending on the IRP results, it may be appropriate to revisit and realign EWEB’s avoided cost prices, to match EWEB’s needs, before the 2025 filing with the PUC.

Attachment 1 shows a table of EWEB avoided costs that management proposes to file with the PUC for 2023. These values represent the 20-year forecast of wholesale market prices projected at the Mid-Columbia trading hub using our Aurora™ planning software, which is an industry leading power market simulation model that produces both short-term and long-term price forecasts for all major market zones and trading hubs. EWEB staff maintains and utilizes this model as a standard power planning tool.

A comparison of the current³ and proposed avoided cost prices are reflected in Figure 1.

Figure 1:



³ Current avoided cost prices are published in peak/offpeak block periods (not shown). Going forward, avoided cost will be represented in average annual prices. As such, current avoided cost prices are represented here as annual averages for comparison purposes.

TBL Assessment

The most current IRP established that EWEB does not need additional long-term power purchases or resources, beyond existing resources. However, EWEB is required by federal and state laws to publish and maintain avoided cost prices. EWEB would purchase power produced from projects that 1) meet PURPA QF criteria, 2) wish to sell to EWEB at the published prices. Until a new IRP resource strategy is adopted, EWEB plans to meet all needs for additional resources from conservation and energy efficiency, as stated in EWEB's current published IRP.

Recommendation

Management recommends that the Board approve the updated avoided cost prices to maintain compliance with OAR 860-029-0080(2).

Requested Board Action

Approve Resolution No. 2231 to enable staff to file the updated avoided cost prices with the PUC in accordance with OAR 860-029-0080(2) by December 31, 2022.

RESOLUTION NO. 2231

**EUGENE WATER & ELECTRIC BOARD
2023 Avoided Cost Filing**

WHEREAS, the Federal Public Utility Regulatory Policy Act (PURPA) requires all electric utilities to purchase the generation from certain types of generation under long-term contracts at each utility's avoided cost; and

WHEREAS, the Oregon regulations ORS 758.525 require EWEB to file avoided costs with the Oregon Public Utilities Commission (PUC) at least every two years; and

WHEREAS, the Oregon PUC does not have jurisdiction over approving EWEB's avoided costs, but is required to accept EWEB's filing and make the filing publicly available; and

WHEREAS, the EWEB Board of Commissioners does have authority and responsibility to approve EWEB's avoided costs for purposes of PURPA; and

WHEREAS, EWEB staff have calculated updated avoided costs for 2023 through 2042 based on forecasts of wholesale power costs that management proposes to file with the Oregon PUC this month; and

WHEREAS, the Board has reviewed the background and need for updated avoided costs that will be paid to qualifying facilities under the PURPA regulations and approves these prices at its December 6th, 2022 Board Meeting.

NOW, THEREFORE, BE IT RESOLVED by the Eugene Water & Electric Board that the Board hereby approves the attached avoided costs prices as presented and proposed by management for years 2023 through 2042 until such time as the Board approves new values.

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

EWEB Avoided Costs*
Effective January 2023
\$/MWH

Year	Energy Price
2023	\$34.86
2024	\$34.11
2025	\$32.10
2026	\$33.43
2027	\$34.43
2028	\$34.13
2029	\$34.56
2030	\$35.34
2031	\$36.09
2032	\$36.19
2033	\$36.89
2034	\$37.69
2035	\$37.22
2036	\$38.51
2037	\$36.72
2038	\$37.95
2039	\$38.98
2040	\$37.08
2041	\$34.15
2042	\$30.63

*EWEB's avoided cost prices may be adjusted to account for costs related to the shaping, integration, dispatchability, transmission and distribution, and environmental attributes, of a given QF resource.



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