



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; Adam Rue, Fiscal Services Supervisor

DATE: April 25, 2019

SUBJECT: Business Growth and Retention Rate Credit Public Hearing

OBJECTIVE: Board Direction

Issue

May 7, 2019 is the first of two public hearings on proposed changes to the Business Growth and Retention Credit program (BGR-1 rate rider). A second public hearing is scheduled for June 4, 2019. Based on Board direction, a final proposal will be prepared for the June meeting.

Background

The Business Growth and Retention rate rider was established in 2012 as an economic development program to provide financial support to new and expanding businesses within EWEB's service territory without burdening general ratepayers. Since established, two businesses have participated in the rate rider.

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. At the March 2019 Board meeting, Management provided an update on proposed improvements to the BGR program. Management priorities include more objective standards for participation, streamlined program administration, and increased flexibility to potential participants while managing financial risk to EWEB. These changes were described in the March Board meeting memo.

Discussion

While not actively promoted, the BGR-1 rate rider exists in EWEB's Customer Service Policy as originally designed (Appendix B – Electric Service Charges and Prices). Attachment 1 is a red-lined version showing proposed policy modifications consistent with the stated objectives. These include updated program eligibility requirements and a simplified methodology for calculating and administering the BGR credit.

The general basis for the credit using the differential between wholesale power and retail prices remains intact. Changes include an updated methodology allocating 50 percent of the retail/wholesale market differential to Large General Service Customers as an incentive price, and a 60% (EWEB)/40% (Customer) incentive to Medium General Service Customers such that both classes receive about a 15 percent discount on their incremental energy consumption. The BGR credit will be adjusted annually

based on updated forward price curve information and adopted as part of EWEB's overall utility pricing.

As described in previous Board memos, approval for participation and the term of the credit will rely mainly on four factors:

- Increased demand (monthly kW)
- Increased energy consumption
- Demand response potential
- Utility infrastructure investments needed

TBL Assessment

The BGR credit 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 value to EWEB and its customers of a given project. To reduce subjectivity, the environmental and social criteria will focus on areas that can be reasonably verified, such as planned participation in energy or water efficiency programs, carbon and peak demand reduction technology, and the number of new jobs created.

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

Recommendation

Management recommends revising the BGR policy consistent with the stated objectives to simplify program administration and establish clear eligibility requirements, while increasing flexibility and accessibility to participants.

Requested Board Action

Management is not requesting Board action at the May 7th meeting; however, Management is requesting that the Board provide feedback to the General Manager on the recommendations. At the June 4th meeting, after the public hearing, Management will recommend approval of the proposed/revised BGR credit.

Attachment 1: EWEB Customer Service Policy, Appendix B – Electric Service Charges and Prices, Business Growth & Retention Credit Policy (red-lined)



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Customer Service Policy Appendix B – Electric Service Charges and Prices

A. Business Growth and Retention ~~Price Rider~~ CREDIT (BGR-1)
(For Service from 1200 kW to 10,000 kW of New or On-going Incremental Demand)
(Resolution No. 1328)

1. Purpose

New and expanding businesses can provide broad economic benefits to the community and EWEB customers, but often have high up-front costs associated with capital improvements, including utility infrastructure. The Business Growth and Retention Credit is intended to provide short-term discounted electric pricing to support business growth when such development demonstrates clear economic, environmental and community benefits.

~~1.2.~~ 2. Applicable

This ~~Rider~~ Credit is applicable as an addendum to the otherwise applicable General Service electric price schedule for qualified Customers locating or expanding service on EWEB's transmission and/or distribution system(s). New or existing General Service Customers who add a minimum of 1200 Kilowatts (kW) of billing demand may qualify. Service is applicable to customers with the average of the three highest monthly kW demands in a 12-month rolling period falling between 1200 and 10,000 kilowatts of either new or incremental demand that has demand response capability.

Customers taking service must first be approved for participation in EWEB's Business Growth & Retention Program based on specified attributes the project brings to the community

2. Price

~~The BGR-1 Credit is calculated annually based on the difference between the average Rider shall be calculated by subtracting the average ICE Mid-C Flat forward price curve monthly settled index price from and~~ the Customer's average applicable retail energy (kWh) price. The value associated with the difference between market and retail pricing is shared between EWEB and the customer. to establish the retail/wholesale market differential.

2019 BGR Price for Medium General Service Customers: \$0.012 per kilowatt hour

2019 BGR Price for Large General Service Customers: \$0.008 per kilowatt hour

~~The monthly retail/wholesale market differential is allocated to the Customer as an incentive price. The split is 50/50 in the first year, 60 (EWEB)/40 (Customer) in the second year; and 80 (EWEB) /20 (Customer) in the third year.~~

The BGR-1 Credit Rider is exclusively applied to the new or incremental energy (kWh) use only in the form of an annual bill credit. The credit is based on a look back



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Customer Service Policy Appendix B – Electric Service Charges and Prices

~~calculation for all energy consumed above the baseline and credited to the bill every six months in January and July each year.~~ The BGR credit will not be paid for any Billing Period that Customer fails to meet 1200 kW minimum additional Demand.

3. Contract

Service under the BGR-1 ~~Credit is Rider~~ is provided under a ~~three-year,~~ signed agreement with a term of two – four years depending on EWEB’s evaluation of the load growth potential, -level of utility investment and potential future revenue received from the customer- EWEB reserves the right to reduce the term if the project’s actual load growth and revenues are lower than anticipated when the contract was signed.

4. Start Date

The start date of the incentive price period shall commence within 24 months from the date of execution of the contract for service and shall be designated by the Customer and EWEB within the BGR-1 agreement. *(This 24 month period is to accommodate construction prior to full operation.)*

5. Metering

Separate electric metering for new or additional Load may be required if, in EWEB’s sole opinion, it is necessary to provide service under this schedule. The Customer will be responsible for any costs associated with providing separate electric metering.

6. General Terms and Conditions

Service under this schedule is subject to the policies and procedures of EWEB.