



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson  
FROM: Cathy Bloom, Finance Manager and Gail Murray, Purchasing/Risk Manager  
DATE: October 27, 2014  
SUBJECT: Q3 2014 Contract Report  
OBJECTIVE: Information Only

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## **Issue**

The Board requested that staff provide a quarterly report of contracts between \$20,000 and \$150,000 which would have come to the Board for approval under previous threshold amounts.

## **Background**

The current thresholds are:

Purchase of all Goods, Equipment, Services and Personal Services:	\$ 150,000 or greater
Purchase of Construction Services:	\$ 100,000 or greater

## **Discussion**

Attached is the Contract report for the third quarter of 2014. The contracts listed are those that would have previously come to the Board for approval, but which are now below the Board approval threshold.

## **Recommendation/Requested Board Action**

None at this time. This information is provided for informational purposes only.

If you have any questions regarding the contracts, please contact the Purchasing Manager, Gail Murray.

## 2014 Third Quarter Contract Report

Execution Date	Contract Number	Contractor	City, State	Description	Amount	Term	Process	LT Manager
07/07/2014	2395	SSP Innovations	Centennial, CO	Responder Consulting & Training	\$42,318	7/7/14 - 9/30/14	Informal RFP	Sayre
07/16/2014	2397	C&C Technologies	Bothell, WA	Bathymetric Survey	\$30,043	7/16/14 - 8/31/14	Direct Negotiation	Damewood
07/30/2014	2396	WRK Engineers	Vancouver, WA	Post Earthquake Building Inspection Training	\$35,500	7/30/14 - 7/10/15	Direct Negotiation	Simmons
09/10/2014	1049-2014	GE Indust. Solutions	Portland, OR	On-site Carmen Smith Transformer Repair Svcs	\$125,000	9/10/2014 - 10/31/14	Direct Negotiation	Damewood
09/26/2014	038-2014	Honey Bucket	Salem, OR	Portable Toilets	\$45,000	9/26/14 - 9/25/19	Informal ITB	Simmons

**Total # of Executed Contracts between \$10,000 - \$20,0000 = 10**

EWEB association for all above contracts = None



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

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TO: Commissioners Brown, Mital, Helgeson, Manning, and Simpson  
FROM: Mel Damewood, Engineering Manager  
DATE: October 24, 2014  
SUBJECT: EL1 Capital Report for Q3 2014  
OBJECTIVE: Information Only

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## Issue

As per EWEB's EL1 Financial Policy that was approved on February 4, 2014, EWEB staff has prepared and attached the 3rd Quarter Capital Report for Electric, Water, and Shared Services for the Board.

## Background

According to Financial Policy EL1:

Throughout the year, staff will provide the Board with quarterly financial reports that compare actual results with budget. Additionally, staff will provide the Board with quarterly updates for all current year projects on the Capital Improvement Plans. General Capital Renewal and Replacement projects (Type I) will be reported by category (e.g., substations, shared IT infrastructure, transmission & distribution mains). Infrastructure Rehabilitation & Expansion (Type II) and Strategic Projects (Type III) will be reported individually. Type II and III projects are further defined as those that are projected to be greater than \$1 million for the life of the project.

Management has attached three reports, Electric, Water and Shared Services Capital Q1 results for the Board's review. Some project status indicators are intentionally left "gray" due to the current inability to ascertain the state of scope, schedule, and/or budget.

## Recommendation and Action

This is an information item only, no action required. If you have any questions or wish to make comments on the reports please contact Mel Damewood a 541-685-7145 or email at [mel.damewood@eweb.org](mailto:mel.damewood@eweb.org)

*This column won't be published* **Type 1 - General Capital**

Notes( Ref. Jobs)	Capital Category	2014 thru Q3			Status/Comments
		Budget (Includes April Amendments)	YTD Actual	Year-End Projection	
13051, 28286	Electric Infrastructure - Generation	\$599,720	\$142,116	\$450,000	● Overall project list generally progressing on schedule and budget, though implementation delays caused by emergent work will push some projects into 2015. An emergent problem with the attraction water supply for a fish ladder at Leaburg Dam will not be resolved until 2015 and 2014 expenses will be more than offset by savings and delays on other project work. Does not include Leaburg Roll Gate (Type 2) (ZINNIKER)
22640	Electric Infrastructure - Substations & Telecom	\$2,707,083	\$2,019,166	\$2,400,000	● Underspending budget, will be shifting some projects to 2015. (ATKINSON)
22641, 36322	Electric Infrastructure - Transmission & Distribution	\$8,344,823	\$3,805,285	\$5,080,000	● The growth in customer initiated work has continued. Customers have paid almost \$1 mill in Contribution in Aid over what was budgeted. Focusing on the customer work also means we're not getting to all of the EWEB initiated work we had planned such a live-front switch change outs. (OBERLE)

*In the future, these categories will match the Capital Improvement Plans (CIPs) submitted by Water & Electric.*

*Type 1 - General Capital is budgeted Year-by-Year for recurring capital expenditures from January through December. Type 1 Capital includes categorized collections of projects of less than \$1 million. Typical examples include "pole replacements" as part of Transmission & Distribution. This work typically involves many small projects that up to \$1.2-\$1.7 million per year.*

*Type 2 projects have "discrete" scopes, schedules (launch through completion), and cost over \$1MM during the project life.*

*This column won't be published* **Type 2 Rehabilitation & Expansion Projects**

Notes( Ref. Jobs)	Project	2014 thru Q3			Project Total			Schedule			Status/Comments
		Budget (Includes April Amendments)	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
28286:18043:36146	Leaburg Roll Gate #2 Re-Build	\$2,857,000	\$492,350	\$2,500,000	\$1,600,000	\$806,914	\$2,790,705	Jul-2012	Jun-2014	Feb-2015	● Delays related to critical equipment delivery lead time has pushed the schedule for return to service into 2015. (ZINNIKER)
	LTD EmX Project (Electric)	\$755,000	\$541,051	\$1,225,000	---	\$541,051	\$5,700,000	Sep-2013	---	Jun-2015	● Electric relocation design is near 90% complete based on LTD's 60% design. LTD's design team is pursuing easements needed to accommodate displaced facilities. Electric relocations delayed at least 6 months pending easement acquisitions. Year end projection assumes some easements will be available for work within existing right-of-way allowing for ~ 10% completion of preliminary construction cost estimate. (THOMAS, OBERLE)
37397 (2014), Job# (2015)	Upriver Re-Configuration/Holden Ck. Substation	\$500,000	\$8,099	\$20,000	\$3,000,000	\$8,099	\$3,000,000	Jan-2014	Oct-2015	Jun-2016	● Continuing project review in coordination with BPA. Project design delayed approximately 6 months; maintain original budget totals. (ATKINSON)
Prog 22641 & 36322	Downtown Distribution Network	\$2,500,000	\$991,493	\$1,800,000	\$15,000,000	\$4,387,916	\$20,000,000	Sep-2010	Dec-2015	TBD	● Evaluating impact of technology change that allows DG over-generation in Network system. Current funding planned for system maintenance. Future system decision pending technology evaluation. (FRASER)

*This column won't be published* **Type 3 - Strategic Projects & Programs**

Notes( Ref. Jobs)	Project	2014 thru Q3			Project Total			Schedule			Status/Comments
		Budget (Prior to April Amendments)	YTD Actual	Year-End Projection (incl. April Amendments)	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
34997	AMI Deployment - Meter Acquisition Costs	\$0	\$0	\$0	\$10MM	\$0	See Comments	Jan, 2008	Jun, 2014	TBD	○ Status = Under Review (grey light); Re-planning for opt-in approach; Meter costs are included in LTFP and CIP. (ARMSTEAD)
32546	Carmen Smith License Implementation	\$2,953,241	\$769,656	\$1,562,000	\$135,000,000	\$33,812,945	\$164,000,000	May-2009	Dec-2021	Dec-2025	● Continued uncertainty regarding licensing date; renegotiation on downstream passage underway; implementing 5-year plan to address aging infrastructure issues at Carmen Powerhouse (MCCANN).

### Water Capital Projects Quarterly Status Report 2014-Q3

**Type 1 - General Capital**

Project	2014			Status/Comments
	Budget	YTD Actual	Year-End Projection	
Source - Water Intakes & Filtration Plant	\$683,091	\$495,427	\$600,000	● Includes 7 Type 1 jobs at Hayden Bridge - on track so far. Network upgrade could sway YE Projection up or down.
Mains - Replacements, Improvements, & Transmiss	\$4,584,901	\$3,230,446	\$4,100,000	● YE Projection is approximate, EmX still affecting work.
Services and Meters	\$666,674	\$304,770	\$500,000	● Bulk of Type 1 is water meter replacements.
Pump Stations	\$847,035	\$251,075	\$670,000	● Includes new Shasta 1150 pump station and emergent work at Santa Clara. Limited resources are affecting schedule on Shasta 1150
Reservoirs	\$84,397	\$14,596	\$80,000	● On-going security and emergent work.

*These categories will match the Capital Improvement Plans (CIPs) submitted by Water & Electric.*

*Type 1 - General Capital is budgeted Year-by-Year for recurring capital expenditures from January through December. Typical Type 1 Capital includes categorized collections of projects of less than \$1 million.*

*Typical examples include "main replacements". This work typically involves dozens of jobs that add up to \$3-\$3.5 million per year.*

**Type 2 Rehabilitation & Expansion Projects**

Project	2014			Project Total			Schedule			Status/Comments
	Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Raw Water Intake Improvements	\$3,672,049	\$1,954,693	\$3,200,000	\$6,292,000	\$5,664,161	\$6,910,000	2011	YE-2013	Q1-2015	● Intake 1 Upgrades complete, in Construction at Intake 2. (Initial Plan - 2011 CIP)
Hayden Bridge Filter S1-S6 Upgrades	\$103,016	\$15,597	\$103,000	\$7,713,000	\$4,024,255	\$7,770,000	2011	YE-2017	YE-2016	● Upgrade of Filters N1-N6 Complete. Beginning design of upgrades of S1-S6 for const. in 2015-2016. (Initial Plan - 2011 CIP)
Hayden Bridge Seismic Upgrades	\$865,302	\$149,544	\$870,000	\$1,215,529	\$156,386	\$1,190,000	2014	YE-2015	Q2-2015	● Phase 1 (Basins and Filters) is in construction. Phase 2 (Headhouse) will start in 2015 (Initial Plan - 2013 CIP)
Terry to Green Hill Extension (Veneta)	\$60,000	\$4,199	\$50,000	\$1,545,000	\$1,204,273	\$1,250,000	2012	YE-2012	YE-2014	● New transmission line is in operation. Working on closeout instrumentation/communications. (Initial Plan - 2012 CIP)
WM River Crossing at Beltline	\$380,000	\$352,308	\$466,000	\$2,000,000	\$2,382,646	\$2,500,000	2011	YE-2012	Q3-2014	● Crossing very near completion. Minor punch list item remains. Early permitting issues pushed project into 2014. (Initial Plan 2011 CIP)
Distribution System Scada/PLC Upgrades	\$149,999	\$89,687	\$150,000	\$3,079,780	\$110,109	\$2,900,000	2013	YE-2016	YE-2019	● Multi-Year upgrade project. 2014 first significant year of work. Developed standard and completed upgrade of first pump station. Working on selecting second station for upgrade. (Initial Plan 2013 CIP)
Dillard 800 Reservoir Repair/Structural Upgrade	\$154,504	\$43,200	\$50,000	\$1,745,850	\$43,200	\$50,000	2014	YE-2015	Q2 - 2014	● Structural evaluation better than anticipated. Shifting priorities, will focus on WM 800 then begun another rehab following Master Plan. (Initial Plan 2014 CIP)
Willamette 800 Reservoir No.1 Replacement	\$543,763	\$44,768	\$250,000	\$1,639,760	\$112,127	\$1,750,000	2013	YE-2014	Q3-2015	● After evaluation, project changed from rehab to a replacement. Construction pushed back one year. Currently in design. (Initial Plan 2013 CIP)
LTD EMX	\$0	\$951,065	\$1,700,000	\$0	\$951,065	\$3,450,000	2014	2015	Q2-2015	● EWEB has completed service relocations on 6th and 7th Aves. Decision has been made to contract main replacements for EMX. These should start in early 2015.

**Type 3 - Strategic Projects & Programs**

Project	2014			Project Total			Schedule			Status/Comments
	Budget	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Alternative Water Supply	\$51,665	\$105,851	\$60,000	\$52,707,167	\$105,851	\$65,910,000	2014 with Planning	YE-2021	YE-2021	● Recent activities including property work and revising the estimate to more accurately reflect the anticipated costs have alleviated some of the uncertainties with this project. This has led from a change from yellow to green on the status.

*This column won't be published* **Type 1 - General Capital**

Notes( Ref. Jobs)	Capital Category	2014			Status/Comments
		Budget (Includes April Amendments)	YTD Actual	Year-End Projection	
13050	General Plant - Information Technology (I.T.)	\$2,134,807	\$822,311	\$1,657,084	● Savings in capital costs is due to Disaster Recovery being embedded in current and future projects as they are executed. Projection includes Metro E; does not include WAM/WACFR or AMI; 50% of IT projects completed on time and within budget and within scope. The Year-End Projection for Q3 reflects a reduction from Q2 which is attributed to the CIS and Payment Interface projects. Payment Interface costs will be carried over to 2015. The planning (O&M) specific phase of the CIS Replacement Project has grown to provide time for additional requirements gathering from our Customer Service, Energy Management, and Public Affairs Divisions. Capital dollars will still be needed once the project reaches its execution phase. (SAYRE)
13057	General Plant - Buildings & Land Management	\$1,726,519	\$567,817	\$794,044	● 2014 includes completion of the ROC fuel tanks. HQ renovation of the HVAC system, Midgley Bldg roof replacement and Credit Union Heating and Cooling Upgrade to be deferred to 2015. Q3 reduction to Year-End Projection will roll over to 2015. (BONDIOLI)
13078	General Plant - Fleet Capital	\$1,743,629	\$1,188,013	\$1,743,629	● Year-End Projection includes April BAM (LENTSCH)

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*Type 2 projects have "discrete" scopes, schedules (launch through completion), and cost over \$1MM during the project life.*

*This column won't be published* **Type 2 Rehabilitation & Expansion Projects**

Notes( Ref. Jobs)	Project	2014			Project Total			Schedule			Status/Comments
		Budget (Includes April Amendments)	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Jobs 24880 & 38131	Payment Interface (Energy Insight)	\$209,294	\$54,750	\$100,000	---	\$985,230	\$1,139,774	Jan-2011	---	End of Q1 2015	● The Energy Insight (EI) program is designed to web-initiate, manage, track, and report activity associated with the investments and returns (including BPA cost recovery) of incentivized conservation programs. The interface module being developed links EI with customer/contractor payables and incentives. EI Payment Interface uses a SOA platform, and project continuation is on hold until WAM is complete. Q3 reduction to Year-End Projection will carry over to 2015. (FREEMAN, DENOUDEN)
Job 35958, 38182	Metro Ethernet (Shared I.T. Infrastructure)	\$584,879	\$197,997	\$495,660	\$5,725,000	\$5,478,199	\$5,775,862	Apr-2012	Jul-2013	Dec-2014	● Project will transition to closing phase in November; planned completion by 12/31/14. (WREN)
35027 & 35228	WAM/MWM Implementation	\$4,643,720	\$2,643,522	\$4,508,408	\$8,327,614	\$6,209,287	\$8,327,614	Jun-2013	Aug-2014	Nov-2014	● Work Order and Asset Management and Mobile Work Management System is designed to provide real-time, utility-wide visibility into type, location and condition of our assets. This data will provide us the ability to forecast how and when to spend our capital and O&M funds. Establishes common processes; single asset repository; visibility of work across business units; creates/revises asset management policies and processes; reduces multiple systems and reduces/eliminates manual processes. All procurements have been completed. All change orders and updates to scope, schedule, and budget have been vetted and approved. WAM is currently tracking for a November 3, 2014 go-live date. WAM cutover and process transition will continue to be a focus throughout the upcoming quarter (BLOOM, JOHNSTON, Karen Lee)
13054:14109:36460	Steam Plant De-Commissioning	\$1,100,995	\$888,146	\$1,100,955	\$1,250,000	\$1,480,605	\$1,693,414	Jan-2013	"2014"	Nov-2014	● The first phase of the asbestos abatement and demolition (for Boiler #3) has been successfully completed. The Phase II asbestos abatement/demolition work (for Boilers # 1 and 2) is currently in progress with an estimated completion date of November 1, 2014. Boilers No. 2 and 3 have been removed and the historic Boiler #1 will remain at the end of the decommissioning effort. Any remaining budget will be applied to additional steam decommissioning needs. (NEWCOMB/RUBEN)
Program 31950; 30833, 34997, 30837, 30850, 35125, 35126	AMI Information Technology & Integration	\$280,064	\$5,651	\$280,064	---	\$5,651	\$3,700,000	Jan-2008	Dec-2014	Dec-2017	● Status = Under Review (grey light); In negotiations with MDM vendor. If AMI/MDM contract is not awarded in Dec. 2014, spending may be postponed until early 2015. Forecast of \$3.7MM covers AMI "Initial Opt-In Phase" through 2017. (ARMSTEAD)
13054:14144:28059/34 483	River-Front Property Development	\$350,000	\$213,312	\$300,000	n/a	\$2,113,312	\$2,400,000	Feb-2006	n/a	Dec-2019	● Master Developer selected (10/7/14) forward costs primarily for negotiation support: Legal & dev consulting. Assumes multi-year phased disposition (BIERSDORFF/NEWCOMB)



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson  
FROM: Erin Erben, Power & Strategic Planning Manager  
Frank Lawson, Power & Strategic Planning Manager (AIC)  
Lisa Atkin, Power & Strategic Planning Supervisor  
DATE: October 25, 2014  
SUBJECT: Q3, 2014 R&D Pilot Programs Quarterly Reporting Summary  
OBJECTIVE: Information Only

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## **Issue**

The purpose of this quarterly memorandum is to provide updates on research & development programs, including load management pilots being undertaken by a cross-functional team of EWEB staff. This quarterly reporting period ended September 30, 2014.

## **Background**

Staff continues to research an array of energy efficiency and demand response programs in response to the direction laid out in EWEB's updated IERP and strategic plan. The proposed programs are also intended to better position EWEB to assist customers with bill saving opportunities in the future. Throughout 2014, as many as seven pilot programs were active, in various stages of planning, design, execution, and analysis. Many of the projects have been the result of collaborative efforts with other regional partners, often with shared funding provisions. Appendix 1 summarizes current status by pilot program, offering additional insight and context to the pilots being undertaken.

## **Discussion**

While efforts continue on a number of pilot programs, the following warrant updates at this time.

### Residential Time-of-Use (R-TOU)

For 2014, the implementation of the Residential Time-of-Use (R-TOU) Rate pilot program continues to be the flagship effort that EWEB staff is engaged to investigate the effects of pricing signals within the residential sector. In the third quarter, the R-TOU pilot team completed formal development and training of the meter change-out and billing conversion process, along with troubleshooting of the meter data-to-bill presentment process. Preparation for participant recruitment included a secure query of the EWEB customer database for use by our marketing partner, Lockwood Research, who will officially launch participant recruitment in November.

Meter installations are expected to begin as early as December, extending through February 2015.

“Treatment” participants will be placed on the TOU rate once their new TOU meter is installed.

“Control” participants will also receive a new TOU meter, but will remain on the current standard

rate for 12 months. After 12 months, control participants will become treatment participants and be placed on the TOU rate.

Previously, the Board expressed interest in participating in an oversample as part of TOU pilot activities. Project team will begin to engage with Board members regarding pilot logistics (getting new meter installed) and communications (terms & conditions) in January 2015.

#### Commercial & Industrial Demand Response (DR) Aggregation Demonstration Project

The “Aggregation” pilot project extends the successful concepts of the Metropolitan Wastewater pilot program, designed to provide signals to industrial customers to temporarily reduce load, by expanding the approach and studying the accumulated effect of multiple customers shedding load. As part of this project, EWEB will be developing a roster of industrial customers who will be asked to reduce load for up to 90 minutes six times per month. In return, the customer will be compensated based on meeting this request at a rate of \$3 per kW-Month. Most of the funding for this project is being provided by BPA, who is also working with Energy Northwest to develop the dispatching and control platform for the project.

Most of the third quarter was spend developing contracts between the “Aggregation” parties, and some basic contract models for participants. Presently, EWEB has tentative agreement from six customers who are willing to participate. EWEB will spend the fourth quarter engaging these and other customers, with a target “go-live” date for the one-year project in January 2015.

#### **Requested Board Action**

No action is required from the Board at this time.

For additional questions or comments, please contact Erin Erben at (541)685-7615 or [erin.erben@eweb.org](mailto:erin.erben@eweb.org) , or Frank Lawson at (541)685-7621 or [frank.lawson@eweb.org](mailto:frank.lawson@eweb.org) .

**Appendix 1: Research & Development Pilot Programs Status**

	RESIDENTIAL PROGRAMS		COMMERICAL & INDUSTRIAL PROGRAMS			
	Residential Time Of Use (TOU)	Carina Water Heater (Phase II)	Commercial Aggregation	EWEB Water Pumping & Storage	Metro Waste Water	SnoTemp Cold Storage
						
<b>Current Stage</b>	Implementation	Pilot Complete	Planning & Design	On hold	Pilot Complete	Pilot Complete
<b>Implementation</b>	Meters have arrived and been tested. Conversion process is developed and tested, with minor refinement of bill presentment. Several EWEB test cases (with employees) are in process.	All pilot sites have been decommissioned.	Cross functional team working to develop DR capability with multiple businesses.	Other systems upgrades and process efficiencies to be realized before pilot program viable.	Possible transition and participation in "Commercial Aggregation" Project	
<b>Evaluation</b>	EM&V plan finalized. Valid data collection methodology being harnessed.	Final Report Completed	Process and impact evaluation template being developed.	No change	Final Report Completed	Report Completed
<b>External</b>	Continued ongoing collaboration with EPRI on pilot design and evaluation. Beginning recruitment process of pilot participants.		BPA incentivized pilot supported by Energy NW. Contract negotiation underway.	No new activity to report.	Final report sent to BPA. Video at <a href="http://www.eweb.org">www.eweb.org</a>	No new activity to report.
<b>Hypothesis &amp; Findings</b>	Determine how TOU participants can benefit from peak shifting strategies. Evaluation not yet commenced.	The study showed water heater load can be shifted, but the equipment cost is high compared to energy savings.	Determine the feasibility of using multiple loads to attain 2MW of group dispatch.	Demonstrate the ability to use price signals and/or DR incentives to both increase load when extra capacity exists and decrease load during capacity constraints.		
<b>Eligible Population and/or Unit Savings</b>	100% of the 78,000 residential customers would be eligible for a residential TOU rate. Unit savings to be determined in Evaluation phase. Participation in the pilot will be voluntary.	Approx. 80% of residential customers would be eligible for a water heater control program. Unit savings determined in Evaluation phase.	This would impact C&I entities able to secure a min. dispatch at pre-determined signals. Dispatchable impact to be determined in Evaluation phase.	This would impact EWEB facilities only. Unit savings and cost effectiveness to be determined.	With a Commercial TOU in place, approx 10,000 C&I businesses would have accessibility to participate in peak load shifting initiatives.	



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson  
FROM: Steve Mangan & Tom Williams, Key Account Managers  
Mark Freeman, Energy Management & Customer Services Manager,  
DATE: Oct 17, 2014  
SUBJECT: Business Growth & Retention (BG&R) loan limit adjustment  
OBJECTIVE: Information Only

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## Issue

Current EWEB policy requires customers to pay 100% of projected costs for utility services prior to establishing or expanding EWEB services. This upfront financial obligation can be a high hurdle and a deterrent to economic development. The current Business Growth & Retention (BG&R) loan program only addresses projects above \$50,000.

Staff plans to lower the BG&R loan limits to assist customers finance utility service costs associated with establishing or expanding EWEB services for projects under \$50,000.

## Background

The current BG&R loan program has been successful assisting customers with large project costs. We also have many existing customers looking to expand or upgrade but require less financial assistance from EWEB. This proposed adjustment of the BG&R program would assist new and existing electric, water and/or telecom customers by providing financing options for EWEB service costs including equipment purchase, construction cost, engineering services and service connection fees. The burden of payment would continue to rest with the customer requesting service and not with general ratepayers.

## Discussion

Just like the current BG&R program, customers would need to meet two levels of program criteria. The first level of eligibility would consist of a project review based on benefits to EWEB and its customers. A point system matrix with the following categories would be applied to determine program eligibility. Criterion, focused on retaining and assisting existing customers, include:

1. Alignment with Big Look goals
2. Ability to or past participation in EWEB programs
3. Social Equity
4. Environmental Health
5. Economic Prosperity & EWEB customer history

The next step in eligibility would be a review of the applicant's credit worthiness. This step would be accomplished using EWEB's established loan program criteria where the program applicant would need to satisfactorily demonstrate the ability to meet loan payment obligations.

Proposed Loan Terms

Minimum	Maximum
\$5,000	\$50,000
One year	5 years

- The BG&R interest rate is currently 4%.
- Loan amount and repayment terms would be determined by project economics.
- A simplified process has been established to streamline procedures.
  - Credit check and possible approval by loan administrator or two credit committee members.

The Business Growth & Retention loan pool is replenished by repayment and used to fund future projects.

The program would not require any new FTE. Promotion, marketing, program management and implementation would be accomplished through the Key Accounts Team with the existing budget.

**Recommendation and Requested Action**

No action required information only. Please contact us if you have any questions:

Steve Mangan: 541-685-7376

Tom Williams: 541-685-7160

Mark Freeman: 541-685-7061



**MEMORANDUM**  
EUGENE WATER & ELECTRIC BOARD  
**POWER RESOURCES DIVISION**

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Frank Lawson, Resources & Strategic Planning Manager (AIC);  
Megan Capper, Senior Energy Resource Analyst  
DATE: November 4, 2014  
SUBJECT: Northwest Regional Power and Transmission Policy Update  
OBJECTIVE: Information Only

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**ISSUE**

Management provides the Board an update on regional policy, legislative activities, and market affairs three times a year to provide context for the business environment EWEB operates within as a way to aid the Board in its decision making. This update series rotates through the three topics each year so as to cover one in detail each time. Earlier this year, the Board was briefed on the status of the Northwest power markets and provided with a legislative update on matters pending in Salem and Washington DC. This edition will focus on current issues that primarily involve BPA and FERC.

**BACKGROUND**

EWEB engages in regional policy work with other public, investor-owned utilities, and trade associations in the Pacific Northwest as a way to extend our influence. While we are the largest public utility in Oregon, we are not large compared to others that impact our industry and it would be imprudent and expensive to stand alone in addressing our interests with Legislative and Regulatory affairs. Strategically, our regional policy work helps us identify external regulatory risks in time to respond to them and, where possible, helps shape the outcome of the discussion to result in new laws, regulations and policies impacting our industry and our business. Additionally, EWEB needs to be prepared for a dynamic and ever-changing future focused on balancing the volatility of both our supply and demand. Our regional policy work centers around the supply side and providing for a stable, predictable and resilient future resource supply.

**DISCUSSION**

The following items reflect the current status of key topics that EWEB has been actively engaged in with counterparties across the region. Each of them has either direct or indirect financial implications to EWEB.

**BPA's General Financial Health**

BPA will be facing many challenges in the near future including aging power and transmission infrastructures, advanced technology, human capital resources, and increasing reliability issues. For this reason, earlier in the year BPA solicited customer feedback on its capital investment and debt optimization strategies. This was an opportunity for customers to review and comment on BPA's long-term capital investment forecasts, draft asset management strategies, and methodology for prioritizing capital investments.

EWEB participated in this process and strongly encouraged BPA to collaborate with its customers to develop a long-term strategy that offers sustainable solutions as opposed to short-term cost shifting solutions as we have seen in the past. We understand the balance BPA faces from the pressure to keep rates low while grappling with aging infrastructure and keeping up with technology to stay competitive. Although EWEB is concerned about BPA's increasing costs potentially becoming uncompetitive with market rates, we also see value in a long-term strategy of demonstrated need that goes beyond short-term cost containment.

### **Transmission Accessibility**

EWEB uses BPA Network Transmission (NT) to serve our load, and purchases Point-to-Point Transmission (PTP) for our secondary off-system sales. One of our regional priorities is to work with BPA on its internal processes, modeling assumptions, and business practices to increase our access to transmission to prepare ourselves for a more volatile power supply and load requirements. EWEB is reliant on the availability of BPA's transmission to bring market purchases and other resources to our load. We have also been asking BPA for a mechanism that provides for the planning and construction of new transmission facilities to serve any future load. Our efforts were recently rewarded when BPA began an initiative to holistically evaluate and revise their NT and PTP transmission product characteristics. This process is starting with a customer needs assessment. We will be working with them over the next year on this effort.

### **BPA Fiscal Years 2015-2017 Rate Case ("BP-16")**

BPA's process to determine cost-based rates in BP-16 has begun. A major driver of this process is the Integrated Program Review (IPR) where the revenue requirement and spending levels for Power and Transmission Services is developed and feeds into BPA's Initial Rate Proposal. EWEB continues to encourage BPA to make transparent decisions around trade-offs between infrastructure and re-investment. For example, at EWEB's encouragement, BPA's Initial Rate Proposal will maintain their existing cost allocations between transmission customers which is not only financially beneficial to EWEB but also maintains cost predictability until rational cost shifts are understood.

Based on EWEB and other stakeholder feedback of BPA's proposed program spending, costs are projected to result in an overall rate increase to all BPA customers of slightly less than 7% for Power and 5.5% for Transmission for the two-year period. These projections are consistent with assumptions in our Financial Plan. The rate case process will commence next month with BPA's published Initial Rate Proposal and will end next July with its final Record of Decision (ROD). FERC is expected to approve the ROD prior to the new rates being implemented next October.

### **BPA's Ancillary Services Agreement**

Ancillary services insure the reliability of the transmission system, and include dispatchable balancing resources (reserves), voltage/frequency controls, and other technical services. After a year of interactive workshops, BPA and its customers have agreed on the Ancillary Services Rates for the "BP-16" period. These rates and services are important to EWEB for several reasons. First, EWEB's preference power costs (Tier 1) are offset by the revenues BPA Power Services receives for these services. Additionally, the level of balancing reserves that BPA holds for third parties affects the output of the Federal Columbia River Power System (FCRPS) and our rights to power under BPA's Slice Product. Finally, customers with resources within BPA balancing authority, like EWEB, are subject to the ACS requirements.

From a rate and financial perspective, staff believes the agreement contains value to EWEB as a BPA power customer and a wind owner subject to these rates. We also believe the final agreement is as good or better than we would have received in BPA's Initial Proposal, and it is more reliable than the result of litigating the issues before BPA and potentially before FERC.

### **Northwest Power Pool Security Constrained Economic Dispatch (NWPP SCED)**

The NWPP SCED project attempts to improve the region's ability to integrate wind, increase transmission utilization, improve regional generation dispatch, and ultimately reduce the amount of within-the-hour generation held in reserve for unanticipated events such as loss of generation. California has a similar system in place, and PacifiCorp will participate in the California market beginning November 1st. NV Energy (formerly Nevada Power) will begin to participate in October of 2015.

The fundamental difference between the current system operation and the proposed system operation is the manner in which generation units are dispatched within the hour. Currently each Balancing Area dispatches units to meet its own load requirements. The SCED provides an automated centralized system to dispatch the lowest cost resources on a region-wide basis, based upon the generator's cost as provided by each participating utility. The SCED relies on actual transmission loadings as opposed to scheduled transmission loadings which will increase reliability and increase transmission utilization. The underlying premise is that the system can be operated more efficiently through some degree of automated market centralization rather than relying solely on individual bilateral transactions between parties.

EWEB has stayed involved to better understand the characteristics and effects of this potential new market. In mid-2015 each participating Balancing Authority must determine if there is enough benefit to fund the development of the SCED which is currently estimated at approximately \$30 million dollars. EWEB is working to understand the affects of the SCED since we reside in Bonneville Power's balancing area. Should BPA decide to move forward, it is likely that EWEB would have the opportunity to participate to some degree in the new market and would likely face revised charges, processes, and policies from BPA resulting from their participation in the SCED.

Because EWEB will be subject to BPA rules rather than the rules of the NWPP SCED, we do not currently anticipate participating directly in the funding of the new NWPP SCED, should the region elect to move in that direction. However, we will continue to actively participate in the process design to the extent possible, and work closely with Bonneville and other affected customer groups.

### **Federal "Clean Power Plan" and 111(d) of the Clean Air Act**

On June 2, 2014, the US Environmental Protection Agency (EPA) issued a proposed rule to reduce carbon dioxide emissions from the existing electric power sector. The rule utilizes section 111(d) of the existing Clean Air Act to authorize EPA to set annual interim carbon dioxide intensity targets for individual states. The average effect is an estimated 30 percent nationwide reduction in carbon dioxide emissions by 2030 for the existing electric power sector. The targets vary state by state and the baseline for the targets is 2012. Compliance is to begin in 2020.

While EPA has set the targets, states will be ultimately tasked with creating compliance plans to meet the targets. EPA's targets are based on four "building blocks" for each state: 1) increased coal unit efficiency; 2) offsetting coal generation with natural gas generation; 3) new renewable energy; and 4) new energy efficiency. States may choose in their plans to adjust or discard any of the building blocks in order to select the most cost effective options for a particular state plan, as long as the state target is met and approved by EPA. States may also opt to convert their intensity targets (lbs per MWh) to mass-based compliance guidelines (such as an overall emissions cap) for ease of program implementation; however the EPA has not yet specified a methodology for how to make this conversion. Further guidance in this regard is expected in the final rule.

EPA's 2012 baseline for Oregon is 717 lbs/megawatt-hour (MWh) and the 2030 target is 372 lbs/MWh, a 48 percent reduction over that time period. This presumes the retirement of the only coal plant included in Oregon's baseline, the Boardman Coal Plant in Eastern Oregon. The coal retirement will equate to roughly half of Oregon's targeted reductions. Without any coal plant efficiency potential, Oregon will need to meet the remaining reductions with only the three "building blocks".

While EWEB's power resource "portfolio" is extremely "green," or carbon-free, EWEB staff is closely monitoring the proposed regulations for their possible impact on wholesale markets for electricity. Additionally, although EWEB's power resource portfolio is extremely low in carbon dioxide intensity, the implied carbon liability in EPA's targets is assessed seemingly to states, not to the owners/operators of specific generation sources. There is no clarity yet on how the burden of meeting EPA targets will be allocated within a state amongst load serving entities or generators. It will be prudent to closely track possible regulatory risk not only in the EPA's final rule, expected by June of 2015, but also in the development of Oregon's state compliance plan, due by June of 2016. If the Pacific Northwest or WECC is successful at developing a regional approach, a one year extension will be granted for the compliance plan proposal. EWEB staff will be finalizing internal analysis of the proposed rule soon and will submit written comments to EPA in November. Those comments will likely focus on recommending changes to the proposed rule that would: 1) accommodate regional challenges caused by the variability of the NW hydro system; 2) explain the need to properly credit states and load serving entities that were early adopters in acquiring energy efficiency and renewable; 3) allow alternative compliance mechanisms, such as economy wide carbon pricing; and 4) clarify how to convert the rate based target into a mass-based approach.

### **Columbia River Treaty Update**

The Columbia River Treaty (CRT) is an agreement between Canada and the United States guiding the development and operation of select water resources in the basin for flood control and power generation. The Treaty was implemented in 1964 and although the treaty is "evergreen", either country may terminate most treaty provisions on or after September 16, 2024 by providing a ten year advanced notice.

Although the treaty has provided important benefits, today the the Canadian entitlement under the treaty is grossly imbalanced. Studies by the U.S. Army Corps of Engineers (ACOE) and the Bonneville Power Administration (BPA) show an estimated \$250 to \$350 million in clean hydro benefits that Canada receives annually is approximately ten times the benefits that Pacific Northwest interests receive from coordinated system operations. This cost is borne by electric ratepayers in the Northwest receiving power from BPA and the Mid-Columbia PUDs and this inequity has a noticeable rate impact to customers. EWEB's estimated portion is between \$6.5 million and \$9 million per year. On December 13, 2013, a regional recommendation was sent to the U.S. State Department by ACOE and BPA which included appropriate emphasis on need to rebalance the sharing of power benefits. The Interagency Policy Committee (IPC) of the Administration began consideration of this issue earlier this year. A key milestone, the initial date that notification of a 10 year notice to terminate was permissible, passed in September.

EWEB continues to participate in "the Power Group" a consortium of larger regional utilities closely coordinating with the NW Congressional Delegation, especially with the leadership of Congressman Peter DeFazio, to encourage the State Department to act expeditiously on the regional recommendation. Additionally, this group is advocating for the primary focus of the treaty to remain on flood control and power generation. This group acknowledges that while some ecosystem interests can be reasonably addressed in treaty renegotiations, that topic can and is being robustly addressed in other venues including a regional \$700 million budget for species recovery. However, the treaty is the only venue that can address and correct the imbalance in the Canadian entitlement.

### **TBL ASSESSMENT**

A TBL assessment was not conducted to provide this update. However, as management develops and articulates EWEB's position throughout the region, EWEB staff takes into consideration the impacts to us and to the region from all three perspectives - impacts to society, to the environment and to utility economics.

## **RECOMMENDATION**

This information is provided for informational purposes only.

## **REQUESTED BOARD ACTION**

No board action is being requested at this time. If you have questions or comments, please contact Frank Lawson at (541)685-7621 or [frank.lawson@eweb.org](mailto:frank.lawson@eweb.org) , or Megan Capper at (541)685-7363 or [megan.capper@eweb.org](mailto:megan.capper@eweb.org) .



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson  
FROM: Cathy Bloom, Finance Manager  
Susan Eicher, General Accounting and Treasury Supervisor  
DATE: October 27, 2014  
SUBJECT: SEC Reporting Initiative  
OBJECTIVE: Information Only

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## **Issue**

Securities and Exchange Commission (SEC) Municipalities Continuing Disclosure Cooperation Initiative.

## **Background**

In March 2014, the Securities and Exchange Commission (SEC) announced the Municipalities Continuing Disclosure Cooperation Initiative (MCDC Initiative). The MCDC Initiative invites issuers and underwriters to self-report any material misstatements or omissions in a public disclosure document, such as an official statement, annual disclosures, or continuing disclosure documents. The SEC has not defined material misstatement and will be making determinations on a case by case basis. The deadline for underwriters to submit has already passed. The deadline for issuers, such as EWEB is December 1<sup>st</sup>.

## **Discussion**

When EWEB issues bonds, we are required by SEC rules to prepare and file an Official Statement that accurately represents our financial condition, allowing potential bond purchasers to make informed decisions. EWEB is also required to submit an annual continuing disclosure report along with copies of our annual financial statements, and updated continuing disclosure whenever a material event occurs.

EWEB's bond underwriter, JP Morgan has concluded a review of all bond issuers for whom they were the underwriter for the years 2008 through 2013. For issuances prior to July 2009, continuing disclosure was performed by sending data to a number of the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs). After July 1, 2009, all disclosures were filed with a single repository, known as Electronic Municipal Market Access (EMMA). Due to the high volume of issuances they were required to review, JP Morgan elected to select one repository to confirm compliance for the years before July 1, 2009. When JP Morgan confirmed submission of required filings for EWEB bonds, the repository they used noted that they received all EWEB submissions with the exception of 2008, where they documented receiving a 2008 submission for the Water Utility, but did not document a submission for the Electric Utility. When JP Morgan informed us of their finding, we researched and found that the submission for 2008 had been prepared using a single document that covered both utilities. It appeared that the repository had logged the submission as

only water utility. JP Morgan informed us of their findings before they concluded their report. Despite our research and conclusion that this was an error on the part of the repository, and our documentation that we had publicly posted our annual financial statements in a timely manner, JP Morgan elected to note an instance of non-compliance by EWEB in their report to the SEC.

After consultation with EWEB bond counsel and financial advisor, EWEB has elected not to participate in the reporting initiative and will not be self reporting the finding reported by JP Morgan. Our conclusion is based upon several factors:

We have received confirmation from another of the NRMSRS that they received submissions for both utilities for the year 2008.

We have concluded that an instance of non-compliance based on a reporting error by the repository would not be considered a material misstatement or omission.

If the instance reported by JP Morgan results in an inquiry from the SEC, we have sufficient documentation to support our conclusion.

**Recommendation**

Information only, no action requested.