

2015 EWEB STATE OF THE UTILITY SPEECH

Six weeks ago my fellow commissioners elected me to a one-year term as EWEB Board President. As a result I have the duty to prepare, and the privilege of presenting, the Eugene Water and Electric Board's 2015 State of the Utility address.

As Oregon's largest public utility, recipient of numerous awards, and widely recognized nationally for its progressive leadership, EWEB continues to provide an example of excellence for Eugene and beyond. Our foundation of excellence was established by delivering clean water and clean power at affordable rates day in and day out. Over its 100 plus years, Eugenians invested in EWEB and it has become an important example of public ownership and local control in a profit-driven world. Eugene is rightly proud of the institution it made and actively participates in shaping its future.

This past year our safety record, reliability metrics, environmental performance, and customer survey results demonstrated, again, that EWEB employees are highly qualified and dedicated. We are fortunate to be lead by an excellent general manager and leadership team. And our current Board is pretty good too.

Excellence doesn't happen overnight. Staff, management, and Boards past built this up over 100 years. Our task is to be good stewards of the EWEB we inherited from the 20th century and to prepare it as best we can for the challenges of the 21st. Luckily, most of the core commitments needed to succeed in the 21st century - like transparency, reliability, and thrift - were integrated during the 20th. But there are some new commitments - like even more engagement with our customers, flexibility, and resiliency - that we need to, and in fact are, adopting.

Let me mention five significant accomplishments from the past year that speak to these core commitments:

1. EWEB's financials have improved. This is due in part to exogenous variables including an improving regional economy and an improving forward price curve - though that has lost some ground these past few months. But it's also the result of savvy but prudent hedging strategies, a renewed sense of thrift, and especially a willingness to look at reductions in O&M and capital through risk-based capital planning and priority-based

budgeting with fresh eyes and more thorough discussion. The reductions incorporated into the 2014 budget included 25 positions, most of which were achieved through retirements and attrition, other O&M reductions of almost \$4 million and the deferral or elimination of over \$20 million in capital spending.

2. We created a strategic plan with clear priorities. It is focused on customer value, flexibility, resilience and people. And we are already delivering on its goals. For example, this past year we avoided a rate increase on the electric side, helping shift rates back towards the average of our peer utilities.
3. We also continued our rate restructuring work. This should provide bill stability to low-income customers while ensuring stable revenues needed to maintain our extensive - some might say robust - infrastructure. It also positions EWEB to accommodate distributed generation more honestly and without subsidies from those who can't afford to install solar on their own rooftops.
4. A few years back, EWEB's leadership identified the region's biggest long-term risk: reliance on a single source of water. In 2014 we continued to face it head-on and with strong support from the community. As proof, the Board raised water rates for the second year in a row and committed those funds to our alternative water supply project. AND in a scientifically valid blind taste test, my friend and fellow Commissioner John Brown declared water from the Willamette his favorite local flavor. A treatment plant on the Willamette can't be far off.
5. Finally, the 8th Annual Run To Stay Warm was a huge success. More than 1,000 people participated from 16 states. Since the first run, it has raised \$160,000 including a record \$44,000 last year for our Customer Care programs. Dozens of EWEB staff, commissioners and families volunteer their time to the Run To Stay Warm, reminding us how energetic and compassionate the people who work here are.

Of course 2014 wasn't all roses. EWEB was tested.

The 2014 ice storm was one of the biggest weather events to hit the community in a generation. Temperatures hovered in the single digits for a week. Some customers went without power for 5 days. The good news is that despite scores of downed power lines nobody was seriously hurt. And FEMA is picking up most of the \$1.5 million dollar clean-up bill. The storm did expose weaknesses in our communications systems. In response staff implemented an improved outage reporting system.

And we were reminded why we have three roll gates at Leaburg dam. In case, against all odds, two go down... at the height of the rainy season! Like the ice storm, it stressed our staff to the limit. This time the Feds aren't likely to pay the bill. It's a reminder that some of our infrastructure, especially on the water side, is aging and we're going to have to spend dearly to replace it.

I'll end with a short list of things we are doing, or should consider, to keep us strong in 2015.

1. Next month, we will conduct a thorough performance evaluation of our general manager and report the results. As a publicly elected board it's one of our most important duties.
2. In May we are looking forward to an update from staff on our CIS. If we're going to increase our engagement with customers, we need the ability to customize information on their monthly billing statements.
3. With a little luck we will deliver on a long-held promise by selling or leasing the riverfront property.
4. This legislative session we are lending our reputation and some resources to help make the case for state-wide carbon pricing.
5. Staff recently launched a time-of-use pilot study with 400 participating homes spread across Eugene. It will help answer some important questions about how much energy customers operating under our trial TIME-OF-USE tariff can shave off peaks. This has significant implications for determining our future energy acquisition strategy. Can we meet load with these new demand response and demand management tools or do we have to invest in gas-fired peaking plants.
6. Perhaps we should review our risk management policies. We may be too cautious even for a responsible public utility. Can we afford to risk more during certain times of the year? Or should we be even more conservative? This may be that much more timely as wholesale market is going down again; this will be a challenge going forward.

Finally, I can say with confidence that EWEB is a strong and resilient organization. I'm very much looking forward to working with the Board and supporting our general manager and staff as they deliver water, power, and excellence to our customers in 2015.