



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Susan Fahey, Finance Manager; Anna Wade, Senior Financial Analyst
DATE: May 26, 2015
SUBJECT: Annual Report on Power Trading Compliance and Financial Results
OBJECTIVE: Information Only

Issue

Board Policy SD8, Power Risk Management Policies, requires the Finance Manager present a report to the Board at least annually that covers the policy's trading and contracting compliance and the financial results of power trading. This backgrounder provides that information for calendar year 2014.

Background

Oregon statutes stipulate the appropriate scope for a governmental agency's investment of "surplus funds". Accordingly, EWEB's activities in the power markets must be associated with the provision of electricity to meet anticipated sales and generation forecasts. In 2006, Board Policy SD8 was developed to provide oversight control and guidance to the power trading operations. The policy is scheduled for review and update within the 2015 calendar year. SD8 is included as an attachment for your reference.

Discussion

SD8.2 - Anti-speculation Statutes: In Compliance

To comply with anti-speculation statutes, SD8 requires managing its average megawatt market positions so that exposure to prices is limited. Occasionally, changes to forecasts, load and/or generation result in SD8 position limits being exceeded. In those events, risk management control procedures developed under SD8.4 require positions to be brought back into compliance no later than the next trading day unless preapproved by the Finance Manager and Power Operations Manager. EWEB was in compliance with this procedure in 2014. As described in 2014 RMC actions below, compliance was twice maintained through exception authority granted by the RMC.

SD8 requires the mid-term position to be managed for a minimum of three years; however the Risk Management Committee (RMC) has adopted a more prudent practice of analyzing market position over a 5 year period.

SD8.3 - Financial Exposure Limitation: In Compliance

In addition to megawatt position limits, SD8 requires that controls be implemented to reduce the financial risk associated with market positions and ensure that results of trading activity combined with reserves provide funding capabilities to cover other Electric Utility expenditures. EWEB was in compliance with this policy in 2014. The RMC evaluates financial risk beyond the SD8 3 year minimum to encompass a 5 year time horizon.

Risk management control procedures also require that the following year's market position be hedged to the level included in the long-term financial plan by July. Given the Electric Utility's recent financial challenges, the RMC approved an accelerated approach to that activity.

2014 RMC Actions

In addition to reviewing compliance on a monthly basis, the following actions were taken by the RMC in 2014:

- Risk management procedures were updated to:
 - Refine roles and responsibilities relating to trade execution and approval.
 - Adopt a structured approach to credit risk management activities, including counterparty review schedules and approval limits.
 - Clarify the process and authorizations required for transaction specific exceptions.
- Jefferies Bache contract to provide financial clearing services was approved for recommendation to the Board on April 29, 2014.
- Direction was provided to the Stateline litigation team throughout the settlement negotiation process. In August, the RMC voted unanimously in favor of the General Manager signing the settlement documents and amended agreements.
- For a select group of creditworthy counterparties, credit assignments were extended on an exception basis to provide adequate liquidity for 2017 and 2018 compliance trading.
- On two occasions during the year, the RMC granted one-month extensions to cure a compliance position for the 2018 calendar year.

Recommendation and Requested Board Action

This item is information only and no Board action is being requested at this time.

Attachments: Board Policy SD8

Policy Number: SD8
Policy Type: Strategic Direction
Policy Title: Power Risk Management Policies
Effective Date: October 2, 2012

1. Formation of Risk Management Committee

A Risk Management Committee (RMC) will be established to provide oversight control and guidance to the power trading and contracting operation.

The RMC will be comprised of the General Manager, Assistant General Manager, Finance Manager, Power Resources & Strategic Planning Manager, Trading/Power Operations Manager, Fiscal Services Supervisor, and the Generation & Fleet Services Manager. As a practical matter, minor title and/or work scope changes affecting RMC members shall not require formal amendment to this policy.

This committee, which will meet as necessary, will be responsible to the Board of Commissioners for prudent implementation of these policies and oversight of the trading operation to ensure compliance with this policy and overall good industry practices. On at least an annual basis or as necessary, the Finance Manager will present a report to the Board covering the trading and contracting compliance with this policy and the financial results obtained. Detailed responsibilities of the RMC include:

- Oversee the approval of all wholesale power trading accounts and counterparties to insure creditworthiness.
- Establish and periodically review the exposure and trading limits for trading operations, which shall not exceed the overall trading limits established by this Policy Statement.
- Authorize physical and financial wholesale power trading representatives to conduct trades and contracts pursuant to this policy.
- Review and approve retail contracts that are not subject to traditional retail tariffs.

2. Compliance with Anti-Speculation Statutes

EWEB must comply with ORS statutes stipulating the appropriate scope of investments for “surplus funds.” Accordingly, EWEB’s activities in the power markets must be associated with the provision of electricity to meet anticipated sales and generation forecasts. These criteria will be applied:

Real Time (a 24 hour day)

EWEB will manage its Real Time position so that its exposure to market prices for the balance of the day is no greater than 50 average megawatts surplus or deficit.

Short Term (balance of month and following month)

EWEB will manage its Short Term position so that its exposure to market prices for the balance of the month and the following month is no greater than 75 average megawatts surplus or deficit.

Mid Term (period beyond short term)

EWEB will manage its Mid Term position so that firm power supplies are within 25 average megawatts of expected firm sales.

This criteria will be applied to Mid Term time periods beyond the short term:

- For each month within the current and next prompt quarter
- For each of the next three quarters
- For each year within the next three years

The Board may grant exception to this policy to deal with specific circumstances, such as long-term resource acquisitions.

3. Financial Exposure Limitation

In addition to the megawatt position limits set forth in the Compliance with Anti-Speculation Statutes policy above, EWEB will implement additional controls to further limit financial risk associated with its market positions. The function of these additional controls would be to ensure that EWEB's projected contribution margin, when combined with available reserves and borrowing authority, will provide funding capabilities to cover other budgeted/projected expenditures at the Electric Utility.

Real Time (a 24 hour day)

Because total volumes and resulting exposure is small, no financial exposure limits are required.

Short Term (balance of month and following month)

EWEB will manage its Short-Term position such that there is a 95% probability an adverse market price movement will result in no more than a \$2 million risk exposure. The Board delegates the setting of methodologies for determining financial risk to be used to the Risk Management Committee.

All Traded Periods

At least on a monthly basis, Fiscal Services with the assistance of Power Operations and General Accounting, will monitor the contribution margin and resulting impact on reserves and available borrowing authority for each month over the succeeding 18 to 36 months. In addition, a probability analysis will be conducted. The target is to have a contribution margin which when combined with available Power Reserve/Unallocated Power Fund and borrowing authority will meet or exceed the funding needs of the Electric Utility in each month with at least 90 percent probability and leave an appropriate safety margin. Currently, that safety margin is determined to be at least \$20 million. Subject to annual review, the contribution margin is calculated by summing wholesale, retail and service revenue from the

trading floor and subtracting purchased power, transmission and generation costs, as well as CILT expense. The RMC may establish tighter exposure limits to effectively manage the overall position.

4. Development of Detailed Control Procedures

Consistent with Committee of Chief Risk Officers Risk Policies, detailed control procedures will be developed by EWEB and approved by the RMC. These procedures will incorporate strong dual controls between those groups initiating trades and the risk management/accounting functions.

The Policy and Procedures Guide will further establish the roles and responsibilities of the Power trading, accounting, and Fiscal Services staff. The detailed policies and procedures will incorporate a credit approval and monitoring process to manage and measure credit exposure. The Policy and Procedures Guide, and its inherent controls will be approved by the RMC and reviewed on an ongoing basis.

5. Authorized Activities

The following types of price risk management instruments/transactions are authorized for trading activities:

- Physical delivery contracts with a term up to and including one year.
- Financial agreements with approved counterparties with a term up to and including one year.

The Policy and Procedures Guide as approved by the RMC will specify a process for determining the appropriate use of physical and financial hedge instruments. The Guide will also stipulate the types of swaps and options approved for use by the trading operation. The list of approved products and appropriate uses will likely change as the market changes and EWEB's trading operation gains experience with their use.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning, and Brown
FROM: Mel Damewood, Engineering Manager
DATE: May 22, 2015
SUBJECT: EL1 Capital Report for Year-End 2014 and Q1 2015
OBJECTIVE: Information Only

Issue

As per EWEB's EL1 Financial Policy that was approved on February 4, 2014, EWEB staff has prepared and attached the 2014 Year End and 1st Quarter 2015 Capital Report for Electric, Water, and Shared Services to 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 1) 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.

Due to the implementation of WAM and subsequent limited financial reporting capabilities since late 2014, staff is finally presenting the referred EL1 reports. Staff should now be able to provide the Board with consistent quarterly updates of the EL1 reports starting with the 2015 Q2 report.

The 2015 Budget column also represents the budget after the 2015 true-up was approved in May.

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

Capital "EL-1" Report: Electric, 2014-Q4

Type 1 - General Capital

Capital Category	2014 thru Q4			Status/Comments
	Budget (Includes April Amendments)	YTD Actual	Year-End Projection (from Q3)	
Electric Infrastructure - Generation	\$599,720	\$338,182	\$450,000	● Overall project list generally progressed on schedule and budget, though implementation delays caused by emergent work pushed some projects into 2015. An emergent problem with the attraction water supply for a fish ladder at Leaburg Dam will not be resolved until 2016 and has been added to the updated CIP. Does not include Leaburg Roll Gate (Type 2) (ZINNIKER)
Electric Infrastructure - Substations & Telecom	\$2,707,083	\$2,202,897	\$2,400,000	● Slight underspending due to deferment of Hilyard 15kV breaker project of \$125K. (LAWSON)
Electric Infrastructure - Transmission & Distribution	\$8,344,823	\$4,589,141	\$5,080,000	● Customer-driven work remained strong in 2014, but also caused some slight delays in EWEB driven reliability projects (primarily distribution switches).

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.

Type 2 Rehabilitation & Expansion Projects

Project	2014 thru Q4			Project Total			Schedule			Status/Comments
	Budget (Includes April Amendments)	YTD Actual	Year-End Projection (from Q3)	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Leaburg Roll Gate #2 Re-Build	\$2,857,000	\$1,182,564	\$2,500,000	\$1,600,000	\$1,497,128	\$2,790,705	Jul-2012	Jun-2014	Feb-2015	● Delays related to critical equipment delivery lead time pushed the schedule for return to service into 2015. (ZINNIKER). Rollgate #2 was completed in February 2014.
LTD EmX Project (Electric)	\$755,000	\$443,921	\$1,225,000	\$5,700,000	\$567,719	\$6,747,525	Sep-2013	---	Jun-2016	● Electric relocation design is near 90% complete based on LTD's design. LTD's design team is pursuing easements needed to accommodate displaced facilities. Electric relocations delayed pending easement acquisitions. (THOMAS)
Upriver Re-Configuration/Holden Ck. Substation	\$500,000	\$11,200	\$20,000	\$3,000,000	\$11,200	\$3,000,000	Jan-2014	Oct-2015	Oct-2016	● Continuing project review in coordination with BPA. Project design delayed approximately 6 months; maintain original budget totals. (ATKINSON)
Downtown Distribution Network	\$2,500,000	\$1,059,286	\$1,800,000	\$15,000,000	\$4,455,709	\$20,000,000	Sep-2010	Dec-2015	TBD	● Evaluating impact of technology change that allows DG over-generation in Network system. Present spending rate reflects equipment-specific upgrades or replacements (e.g. network protectors).

Type 3 - Strategic Projects & Programs

Project	2014 thru Q3			Project Total			Schedule			Status/Comments
	Budget (Prior to April Amendments)	YTD Actual	Year-End Projection (incl. April Admendments)	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
AMI Deployment - Meter Acquisition Costs	\$0	\$0	\$0	\$10MM	\$0	See Comments	Jan, 2008	Jun, 2014	TBD	● See Shared Services Report
Carmen Smith License Implementation	\$2,953,241	\$1,086,314	\$1,562,000	\$135,000,000	\$34,129,603	\$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 (ZINNIKER, BOYLE)

Water Capital Projects Quarterly Status Report 2014-Q4

Project	2014			Status/Comments
	Budget	YTD Actual	Year-End Projection	
Source - Water Intakes & Filtration Plant	\$734,656	\$783,787	\$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, & Transmis	\$4,723,945	\$4,832,059	\$4,350,000	● YE Projection is approximate, EmX still affecting work.
Services and Meters	\$1,186,363	\$1,420,506	\$1,000,000	● Bulk of Type 1 is water meter replacements.
Pump Stations	\$697,036	\$273,493	\$670,000	● Includes new Shasta 1150 pump station and emergent work at Santa Clara. Limited resources are affecting schedule on Shasta 1150
Reservoirs	\$303,899	\$54,562	\$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.

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	\$3,070,055	\$3,200,000	\$6,292,000	\$6,779,523	\$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	\$29,032	\$103,000	\$7,713,000	\$4,037,690	\$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	\$638,225	\$870,000	\$1,215,529	\$645,067	\$1,190,000	2014	YE-2015	YE-2016	● Phase 1 (Basins and Filters) is in construction. Phase 2 (Headhouse) will start in 2016 (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-2015	● New transmission line is in operation. Working on closeout instrumentation/communications. (Initial Plan - 2012 CIP)
WM River Crossing at Beltline	\$380,000	\$359,893	\$466,000	\$2,000,000	\$2,390,231	\$2,500,000	2011	YE-2012	Q3-2014	● Crossing is complete. 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)
Willamette 800 Reservoir No.1 Replacement	\$543,763	\$59,491	\$250,000	\$1,639,760	\$126,850	\$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	\$1,700,000	\$1,028,862	\$1,700,000	\$0	\$1,028,862	\$3,450,000	2014	2015	Q3-2015	● 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.

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	\$0	\$60,000	\$52,707,167	\$0	\$65,910,000	2014 with Planning	YE-2021	YE-2021	● 2014 Activites were minor and were tracked under Type 1 Work. This will changed in 2015 as work ramps up.

Capital "EL-1" Report: Shared Services, 2014-Q4

Type 1 - General Capital

Capital Category	2014			Status/Comments
	Budget (Includes April Amendments)	YTD Actual	Year-End Projection	
General Plant - Information Technology (I.T.)	\$2,134,807	\$919,132	\$1,657,084	● 2014 included the completion of edge switch replacements, electric system analysis software commissioning, high-volume messaging addition for outage management, along with the Type II I.T. projects below.
General Plant - Buildings & Land Management	\$1,726,519	\$584,664	\$794,044	● 2014 included 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)
General Plant - Fleet Capital	\$1,743,629	\$1,514,588	\$1,743,629	●

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

Type 2 Rehabilitation & Expansion Projects

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	
Payment Interface (Energy Insight)	\$209,294	\$45,500	\$45,500	---	\$975,980	\$1,139,774	Jan-2011	---	End of Q1 2015	● This enhancement, the payment interface module, is being cancelled. 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 intent was to link EI with customer/contractor payables and incentives. EI Payment Interface uses a SOA platform, and project continuation is on hold until WAM is complete.
Metro Ethernet (Shared I.T. Infrastructure)	\$584,879	\$271,377	\$271,377	\$5,725,000	\$5,551,579	\$5,775,862	Apr-2012	Jul-2013	Dec-2014	● The Metro Ethernet project has been substantially completed for electric SCADA applications. Additional applications may be added in the future.
WAM Implementation	\$4,643,720	\$3,684,378	\$3,684,378	\$8,327,614	\$7,250,143	\$8,327,614	Jun-2013	Aug-2014	Jun-2015	● 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. ● WAM went live on November 4, 2014. However, additional commissioning work ("punchlist items") will continue into 2015. The system is intended to establish common processes; single asset repository; visibility of work across business units; create/revise asset management policies and processes; reduce multiple systems and reduces/eliminates manual processes. Realization of these benefits will require additional process and system implementation work in 2015.
Steam Plant De-Commissioning	\$1,100,995	\$902,203	\$1,100,955	\$1,250,000	\$1,494,662	\$1,693,414	Jan-2013	"2014"	Nov-2014	● The asbestos abatement and demolition for all of the boilers has been completed. Boilers No. 2 and 3 have been removed. "Historic" Boiler #1 remains at the steam plant. (NEWCOMB/RUBEN)
AMI Information Technology & Integration	\$280,064	\$5,651	\$280,064	---	\$5,651	\$3,700,000	Jan-2008	Dec-2014	Dec-2017	● Forecast of \$3.7MM covers AMI "Initial Opt-In Phase" through 2017. (ARMSTEAD)
River-Front Property Development	\$350,000	\$281,952	\$300,000	n/a	\$2,181,952	\$2,400,000	Feb-2006	n/a	Dec-2019	● UO Foundation has elected to withdraw from negotiations on the project.

Capital "EL-1" Report: Electric, 2015-Q1

Type 1 - General Capital

Capital Category	2015 thru Q1			Status/Comments
	Budget (Includes Amendments)	YTD Actual	Year-End Projection	
Electric Infrastructure - Generation	\$1,200,000	\$128,170	\$1,200,000	● Significant 2015 projects include Leaburg debris boom and right bank fish ladder diffuser. (ZINNIKER)
Electric Infrastructure - Substations & Telecom	\$2,000,000	\$142,692	\$2,000,000	● Major work includes breaker replacement(s) at Hilyard and Prairie Substations; New RTU and controls as Prairie. (LAWSON)
Electric Infrastructure - Transmission & Distribution	\$8,200,000	\$1,632,055	\$8,200,000	● The \$8.2 MM includes \$4.0MM in customer-driven capital (re-imbursed). PUC and pole replacement work is ahead of schedule in Q1 at \$919K of \$2.4MM annual budget; Customer-Driven completions slightly behind budget, along with distribution transformer replacements. (LAWSON)

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.

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Type 2 Rehabilitation & Expansion Projects

Project	2015 thru Q1			Project Total			Schedule			Status/Comments
	Budget (Includes Amendments)	YTD Actual	Year-End Projection	Initial Plan	To-Date Actual	Project-End Projection	Start	Initial Planned Completion	Projected Completion	
Leaburg Roll Gate #2 Re-Build	\$1,600,000	\$1,289,325		\$1,600,000	\$2,786,453		Jul-2012	Jun-2014	Feb-2015	● Project completed in February 2015.
Leaburg Roll Gate #1 Re-Build	\$2,000,000	\$0	\$2,000,000	\$2,000,000	\$0	\$2,000,000	Mar-2015	Nov-2015	Nov-2015	● Emergent project due to failure of RG No. 1 hoist system in December 2014. CIP updated accordingly and Board approved construction contract amendment as part of the April True-Up.
Leaburg Roll Gate #3 Re-Build	\$400,000	\$0	\$400,000	\$1,550,000	\$0	\$1,550,000	Dec-2015	Nov-2016	Nov-2016	● Emergent project due to failure of RG No. 1 hoist and subsequent order from the FERC to replace RG No. 3 hoist system due to critical dam safety equipment reliability concerns. CIP updated accordingly and Board approved construction contract amendment as part of the April True-Up.
LTD EmX Project (Electric)	\$3,370,000	\$109,023	\$3,370,000	\$5,700,000	\$676,742	\$6,747,525	Sep-2013	---	Jun-2016	● Electric relocation design is nearly complete based on LTD's design. LTD's design team is pursuing easements needed to accommodate displaced facilities. Electric relocations delayed pending easement acquisitions. (THOMAS)
Upriver Re-Configuration/Holden Ck. Substation	\$500,000	\$210	\$500,000	\$3,000,000	\$11,410	\$3,000,000	Jan-2014	Oct-2015	Oct-2016	● Design to be completed in 2015, along with early procurement. Construction planned for 2016. (LAWSON)
Downtown Distribution Network	\$1,000,000	\$18,275	\$1,800,000	\$15,000,000	\$4,473,984	\$20,000,000	Sep-2010	Dec-2015	Dec-2018	● 2015 work includes equipment-based replacements including a transformer and multiple network protectors upgrades. Network analysis, and technology for potential handling of downtown distributed generation (DG) are forecasted for late 2015.

Type 3 - Strategic Projects & Programs

Project	2015 thru Q1			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	
AMI Deployment - Meter Acquisition Costs										See Shared Services Report
Carmen Smith License Implementation	\$6,800,000	\$851,239	\$6,800,000	\$135,000,000	\$34,980,842	\$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 (ZINNIKER, BOYLE)

Water Capital Projects Quarterly Status Report 2015-Q1

Type 1 - General Capital

Project	2015			Status/Comments
	Budget	YTD Actual	Year-End Projection	
Source - Water Intakes & Filtration Plant	\$575,000	\$263,504	\$575,000	● Includes AWS expenditures through first quarter. These will be charged as Type 3 work for rest of year.
Mains - Replacements, Improvements, & Transmis	\$4,307,500	\$1,497,670	\$4,310,000	● YE Projection is approximate, EmX still affecting work.
Services and Meters	\$927,000	\$359,406	\$930,000	● Increased development may cause the reimbursable portion of these costs to exceed budget. Will track as the year progresses.
Pump Stations	\$751,000	\$185,419	\$750,000	● Includes new Shasta 1150 pump station and emergent work at Santa Clara. Limited resources are affecting schedule on Shasta 1150
Reservoirs	\$24,000	\$0	\$20,000	● Nothing significant planned for this year.

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	2015			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	\$1,200,000	\$511,153	\$1,200,000	\$6,292,000	\$6,438,951	\$7,130,000	2011	YE-2013	Q1-2015	● Intake 1 Upgrades complete, Construction at Intake 2 near completion. Costs exceeded initial plan has seismic upgrades were added to scope. (Initial Plan - 2011 CIP)
Hayden Bridge Filter S1-S6 Upgrades	\$1,452,500	\$57,139	\$1,450,000	\$7,713,000	\$4,094,829	\$7,650,000	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	\$480,000	\$407,116	\$480,000	\$1,215,529	\$1,052,183	\$1,760,000	2014	YE-2015	YE-2018	● Phase 1 (Basins and Filters) is complete. Phase 2 (Headhouse) deferred to 2017-2018. Phase 1 costs more expensive than anticipated. (Initial Plan - 2013 CIP)
Distribution System Scada/PLC Upgrades	\$315,000	\$8,329	\$320,000	\$3,079,780	\$118,438	\$2,480,000	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 second station for upggrade and plan for two more in 2015. (Initial Plan 2013 CIP)
Willamette 800 Reservoir No.1 Replacement	\$632,531	\$2,391	\$630,000	\$1,639,760	\$129,241	\$1,790,000	2013	YE-2014	Q3-2015	● After evaluation, project changed from rehab to a replacement. Construction pushed back to 2015-2016. Currently in design. (Initial Plan 2013 CIP)
LTD EMX	\$2,600,000	\$302,140	\$2,600,000	\$0	\$1,331,002	\$3,630,000	2014	2015	Q3-2015	● EWEB has completed service and main work on 6th and 7th Aves. Will shift to W. 11th Ave soon.

Type 3 - Strategic Projects & Programs

Project	2015			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	\$1,702,000	\$0	\$1,700,000	\$52,707,167	\$0	\$69,220,000	2014 with Planning	YE-2021	YE-2021	● Activites to date were minor and were tracked under Type 1 Work. This will changed in 2015 as work ramps up. Property costs added to projections for 2015. Cost projection will likely change in 2015 as estimates are futher refined.

Capital "EL-1" Report: Shared Services, 2015-Q1

Type 1 - General Capital

Capital Category	2015 - Q1			Status/Comments
	Budget (Includes April Amendments)	YTD Actual	Year-End Projection	
General Plant - Information Technology (I.T.)	\$1,947,300	\$24,650	\$0	● Areas of work for 2015 include network server & switch replacements, Hayden Bridge network upgrade completion, selective voice/communications upgrades, and electric monitoring & control system firewall replacements.
General Plant - Buildings & Land Management	\$1,726,519	\$3,479	\$0	● Major projects in 2015 include HQ renovation of the HVAC system.
General Plant - Fleet Capital	\$1,613,000	\$0	\$0	●

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.

Type 2 Rehabilitation & Expansion Projects

Project	2015			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	
Payment Interface (Energy Insight)	\$0	\$0	\$0	---	\$975,980	\$1,139,774	Jan-2011	---	End of Q1 2015	● This enhancement, the payment interface module, is being cancelled. 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 intent was to link EI with customer/contractor payables and incentives. EI Payment Interface uses a SOA platform, and project continuation is on hold until WAM is complete. This project will be removed from the next report.
Metro Ethernet (Shared I.T. Infrastructure)	\$584,879	\$271,377	\$495,660	\$5,725,000	\$5,551,579	\$5,775,862	Apr-2012	Jul-2013	Dec-2014	● The Metro Ethernet project has been substantially completed for electric SCADA applications. Additional applications may be added in the future. This project will be removed from the next report.
WAM Implementation	\$750,000	\$230,991	\$750,000	\$9,264,919	\$7,481,134	\$7,964,362	Jun-2013	Jul-2015	Jul-2015	● 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. WAM went live on November 4, 2014. However, additional commissioning work ("punchlist items") is continuing in 2015. ● A WAM business system stabilization effort has commenced for 2015 with the intention of improving adoption and implementation of WAM and related processes. A Board update is planned for August 2015.
Steam Plant De-Commissioning	\$0	\$0	\$0	\$1,250,000	\$1,494,662	\$592,459	Jan-2013	"2014"	Nov-2014	● The asbestos abatement and demolition for all of the boilers has been completed. Boilers No. 2 and 3 have been removed. "Historic" Boiler #1 remains at the steam plant. This project will be removed from the next report. (NEWCOMB/RUBEN)
AMI Information Technology & Integration	\$1,659,475	\$0	\$1,659,475	---	\$5,651	\$3,700,000	Jan-2008	Dec-2014	Dec-2017	● Forecast of \$3.7MM covers AMI "Initial Opt-In Phase" through 2017. Meter and MDM contracts were approved in March 2015. 2015 work includes construction of communications and data handling infrastructure. (ARMSTEAD)
River-Front Property Development	\$400,000	\$0	\$400,000	n/a	\$2,181,952	\$2,400,000	Feb-2006	n/a	Dec-2019	● UO Foundation has elected to withdraw from negotiations on the project.
Customer Information System (CIS) Replacement	\$1,640,000	\$0	\$1,640,000	\$5MM (Est.)	\$0					● Details to be developed during 2015



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Brown, Manning and Helgeson
FROM: Erin Erben, Power & Strategic Planning Manager, Catherine Gray, Energy Resource Analyst, Sibyl Geiselman, Energy Resource Analyst
DATE: May 26, 2015
SUBJECT: EWEB's 2014 Oregon Renewable Portfolio Standard Compliance Report
OBJECTIVE: Information Only

Issue

In accordance with the Oregon Renewable Portfolio Standard (RPS), EWEB's 2014 RPS Compliance report is attached for Board review.

Background

The Oregon Renewable Energy Act of 2007 established a Renewable Portfolio Standard (RPS) for all Oregon electric utilities. The statute applicable to EWEB that governs compliance reporting, ORS 469A.170, states "A consumer-owned utility shall make the report to the members or customers of the utility" by June 1 of each year. Each year EWEB has met the reporting requirements of this standard by providing a detailed report to its governing Board and posting a copy on the website for customers.

Recommendation and Requested Board Action

This item is information only and accordingly there is no requested Board action.

Attachments

The 2014 Compliance Report and a summary of Oregon's Renewable Portfolio Standard is attached. The report will also be posted on EWEB's website on June 1st at the following location:

<http://www.eweb.org/public/documents/RPScomplianceReport.pdf>

Eugene Water Electric Board
Oregon Renewable Portfolio Standard
2014 Compliance Report

June 1, 2015

Introduction

In 2007 Oregon enacted Senate Bill 838, the Oregon Renewable Energy Act (Act), which created a Renewable Portfolio Standard (RPS) that all Oregon electric utilities must follow. The purpose of the RPS is to decrease Oregon utilities reliance on fossil fuels for electric generation and increase their use of renewable energy sources.

The Act established standards for Oregon's electric utilities requiring that a percentage of their annual sales must come from qualifying renewable resources beginning in 2011. The exact percentage requirement and the year the requirement begins differs for large and small electric utilities, which are shown in Figure 1. The size of the utility is a percentage of Oregon's total retail electric sales in the year. EWEB is the only Consumer Owned Utility (COU) classified as a large electric utility, along with PacifiCorp and Portland General Electric. All of Oregon's other COUs are classified as small electric utilities, which under the Act do not have compliance obligations until 2025.¹

Figure 1. Annual percentage target of qualifying electricity by year

	Utility Size	2011	2015	2020	2025
Large Utilities	3% or more	5%	15%	20%	25%
Smaller Utilities	From 1.5% to 3%				10%
Smallest Utilities	Under 1.5%				5%

The Oregon Public Utilities Commission (PUC) oversees Investor Owned Utilities (IOU) reporting and compliance with the RPS. Because the PUC does not generally regulate Oregon COUs, the statute governing compliance reports, ORS 469A.170, states "A consumer-owned utility shall make the report to the members or customers of the utility." EWEB's longer term compliance strategy is addressed in its Integrated Electric Resource Plan (IERP) which is updated every 5 years or as needed.

The Act also defines which types of renewable generation are considered qualifying electricity. In general, qualifying renewable resources must have an on-line date of January 1, 1995 or later, with some exceptions.²

In recognition of the low-emission resources already existing in the region and other reasonable barriers to compliance, there are four exemptions in the Act that allow utilities to reduce the annual compliance target. These exemptions prevent utilities from taking actions for compliance that:

- Would cause the utility to spend over 4 percent of annual costs to comply with RPS.
- Force Consumer Owned Utilities (COU) to replace BPA Tier 1 power with new renewable electricity.
- Force a utility to acquire resources in excess of their load requirement.

¹ For additional information on the Oregon RPS see http://www.oregon.gov/energy/RENEW/Pages/RPS_home.aspx

² See Attachment 1, Table 2 for a list of conditions under which pre-1995 resources that eligible to produce qualifying electricity. A later amendment to the RPS allows for pre-1995 woody biomass to qualify, but the RECs will not be eligible for use in compliance until 2026.

- Force a utility to replace older renewable or non-fossil fuel generation (i.e. legacy hydro projects) with new renewable generation.

Currently, the vast majority of EWEB's resources are from BPA Tier 1 resources and EWEB owned or contracted legacy hydro. It is EWEB's interpretation that these resources can be used towards the exemption.

The Act also requires Oregon utilities to offer customers the option to elect a green power rate. EWEB's Greenpower program, implemented prior to the passage of the Act, is an example of such a voluntary retail green power rate.

RPS Compliance rules

The RPS requires that utilities include a percentage of electricity generated from qualifying renewable energy sources in their portfolio of power sold to retail customers. Measurement of compliance is based on annual megawatt hours (MWh) of retail sales and qualifying generation.

Per rules adopted by the Oregon Department of Energy, qualifying generation volumes are based on values recorded and reported to the Western Renewable Energy Generation Information System (WREGIS). WREGIS is a large database that receives monthly generation volumes of renewable generation and serves as the regional system of record to issue, monitor, account for or transfer Renewable Energy Certificates (REC). Each MWh of renewable generation equals one REC. Each REC has a unique identification number that indicates the generation project and the month the electricity was generated. The purpose of this system is to ensure that renewable generation and its associated REC are not used to meet the requirements of more than one program.

The compliance target for EWEB in 2014 is 5 percent of retail sales, subject to the four exemptions that can reduce the compliance target. Compliance is demonstrated by retiring a quantity of WREGIS RECs equal to the compliance target. Once a REC is retired in WREGIS it is no longer available to be used in any other program. However, as long as a REC has not been retired it can be retained or banked for a future use such as compliance, a voluntary program, or sold to another entity.

Under EWEB's interpretation, two exemptions significantly reduce EWEB's current and projected compliance targets. The first exemption releases EWEB from reducing purchases of BPA Tier 1 energy in order to take in qualifying electricity. The second exemption releases EWEB from replacing energy produced by non-fossil resources (such as our legacy hydro) with qualifying electricity.

EWEB's understanding of the policy rationale for these exemptions is that the intent of the RPS is to displace fossil fuels, not to require EWEB to replace energy from our existing legacy hydro projects with other renewable energy resources. The Act strikes a balance in doing no harm to the many legacy hydro projects in the Northwest while disqualifying them from creating RECs, in order to promote the deployment of new renewable generation projects to displace fossil fuels and spur economic development. For the purposes of this calculation, EWEB has reduced the Tier 1 generation volumes by the portion of BPA generation that generated RECs through hydro efficiency upgrades and the contribution of existing BPA renewable resources. This calculation has also reduced BPA generation by any sales of surplus hydro-specific resources.

EWEB's generation portfolio is overwhelmingly supplied from BPA Tier 1 power and our legacy hydro generation. Under Oregon's RPS rules, if exempt generation in 2014 exceeds 95 percent of total retail sales then EWEB can reduce the 5 percent compliance target by the amount the exempt generation exceeds 95 percent. If exempt generation exceeds 100 percent of total retail sales then EWEB can reduce its compliance target to zero.

2014 Oregon Renewable Energy Act and RPS Compliance Information

RPS compliance is measured in annual MWh. Figure 2 contains annual MWh information used to calculate EWEB's RPS compliance.

Figure 2. EWEB 2014 RPS Compliance Obligation Calculation

Category	MWh 2014
System Load	2,411,455
RPS Target	5%
RPS obligation BEFORE exempt	120,573
Exempt resources	
BPA Tier 1 net purchases	1,984,262
Mid-C hydro (contract)	11,833
EWEB hydro (owned)	565,664
Total Exempt Resources	2,561,759
Fraction of retail sales from exempt resources	
	106%
RPS obligations AFTER exemption	0

EWEB interprets the exemptions reflected in the table to mean EWEB does not have any RPS compliance obligation in 2014; however, EWEB did retire a number of RECs to satisfy the portion of the Act that refers to voluntary renewable purchases by EWEB customers under the Greenpower program. Surplus RECs will be banked for future use or sold.

The Greenpower program allows customers the choice to voluntarily pay an additional one cent per kWh which contributes to the development and use of renewable energy. Just as RECs are retired to satisfy any obligations under the mandatory RPS, RECs are also retired to match the volume of sales under EWEB's voluntary retail Greenpower program, with one REC retired for every MWh of program sales.

In 2014, sales to EWEB customers under the Greenpower totaled 29,897 MWh. EWEB has retired this amount of RECs from our available portfolio. For additional information on EWEB's Greenpower program please see <http://www.eweb.org/greenpower>.

EWEB will publish the 2015 compliance report by June 1st of 2016.

Attachment 1

Summary of Oregon's Renewable Portfolio Standard



The Renewable Portfolio Standard (RPS) requires that all utilities and electricity service suppliers (ESSs)¹ serving Oregon load must sell a percentage of their electricity from qualifying renewable energy sources. The percentage of qualifying electricity that must be included varies over time, with all utilities and ESSs obligated to include some renewable resources in their power portfolio by 2025.

For current information on Oregon eligible facilities, please visit www.oregon-rps.org.

Table 1 summarizes the percentage targets for the RPS.

Table 1: Summary of RPS Targets and Timelines

RPS obligations on all utilities and electricity service suppliers						
	Percent of Oregon’s Total Retail Electric Sales	Utilities² and ESSs	Applicable Targets in Year:			
			2011	2015	2020	2025
Large Utilities	Three percent or more	Portland General Electric, PacifiCorp, Eugene Water & Electric Board	5%	15%	20%	25%
Small Utilities	At least one and a half percent but less than three percent	Central Lincoln PUD, Idaho Power, McMinnville W&L, Clatskanie PUD, Springfield Utility Board, Umatilla Electric Cooperative	No Interim Targets			10%
	Below one and a half percent	All other utilities (31 consumer-owned utilities)				5%
Electricity Service Suppliers (ESSs)	Any sales in Oregon	Any Electricity Service Supplier (ESS)	If an ESS sells electricity in the service area of more than one utility its targets may calculated as an aggregate of electricity sold in its territory.			

Conditional Targets

There are two conditions when a small utility would be required to meet the large utility standard regardless of their size if purchase coal power (ORS 469A.055 (4) or if they annex utility territory (ORS 469A.0555 (5)). In the case that a small utility’s load increases to exceed three percent of the state load for a period of three consecutive years they would also be subject to the standard as a large utility (ORS 469A.052 (2)).

¹ Oregon’s deregulation law allows non-utility power sellers (called ESSs) to sell power to non-residential customers. Currently, this applies only to Portland General Electric and PacifiCorp service territory.

² Based on 2010 Oregon Public Utility Commission (OPUC) utility data. See the Statistics Book: http://www.puc.state.or.us/puc/Pages/Oregon_UTILITY_Statistics_Book.aspx.

Exemptions to RPS Targets

Utilities are not required to comply with an RPS target to the extent that compliance will:

- Lead to a utility expending more than four percent of its electricity-related annual revenue requirement in order to comply with the RPS.
- Displace firm Federal Base System (FBS) preference power rights from the Bonneville Power Administration (BPA) for a consumer-owned utility.
- Result in acquisition of power resources in excess of their load requirements in a given compliance year.
- Result in the displacement of a non-fossil-fueled power resource.
- Unavoidably displace hydropower contracts with Mid-Columbia River dams until such a time when those contracts cannot be renewed or replaced.

Eligible Resources and Facility Eligibility Date

Qualifying electricity for Oregon’s RPS must be derived from the sources and types of facilities listed in Table 2. Qualifying facilities must also be located within the Western Electricity Coordinating Council’s territory. Note that where multiple fuels are used to power a generating facility only the proportion of output that uses qualifying resources can count toward the RPS.

Table 2: Eligible Resource Types Based on Facility Operational Date

From Generating Facilities in Operation Before January 1, 1995	From Generating Facilities That Became Operational On or After January 1, 1995
Up to 90 average megawatts (aMW) per utility per compliance year of low-impact certified hydropower, capped at 50 aMW owned by an Oregon utility and 40 aMW not owned by a utility but located in Oregon.	Hydropower, if located outside of certain state, federal, or NW Power & Conservation Council protected water areas.
	Wind
	Solar Photovoltaic and Electricity from Solar Thermal
	Wave, Tidal, and Ocean Thermal
	Geothermal
The increment of improvement from efficiency upgrades made to hydropower facilities, although if the improvement is to a federally-owned BPA facility only Oregon’s share of the generation can qualify.	Biomass and biomass byproducts; including but not limited to organic waste, spent pulping liquor, woody debris or hardwoods as defined by harvesting criteria, agricultural wastes, dedicated energy crops and biogas from digesters, organic matter, wastewater, and landfill gas. Under certain conditions, municipal solid waste may qualify. The burning of biomass treated with chemical preservatives disqualifies any biomass resource.
The increment of improvement from capacity or efficiency upgrades made to facilities other than hydropower facilities.	Other resources as determined to qualify through ODOE rulemaking. However, nuclear fission and fossil fuel sources are prohibited in all cases as qualifying resources.
	Electricity from hydrogen derived from any of the above resources.

Renewable Energy Certificates

Compliance with the RPS requires proof of generation of the qualifying electricity. Like many states, Oregon requires proof in the form of a Renewable Energy Certificate (REC). Oregon Administrative Rule states that a REC is a unique representation of the environmental, economic and social benefit associated with the generation of electricity from renewable energy sources that produce Qualifying Electricity. Each REC represents one megawatt-hour (MWh) of generation of qualifying electricity. By rule, all RECs must be issued by the Western Renewable Energy Generation Information System (WREGIS).

Oregon recognizes two types of Renewable Energy Certificates (RECs) in the RPS. Initially, all RECs are “bundled” together with their associated electricity that is produced at the renewable electricity generation facility. When both a REC and the electricity associated with that REC are acquired together, one has acquired a “bundled” REC.

A generator or REC owner may decide to “unbundle” the REC from the electricity associated with that REC by using or selling the two components separately. In doing so the purchaser of the power loses the ability to claim that the power is renewable energy. The “unbundled” REC may be used by its new owner to comply with the RPS.

To meet an RPS target obligated utilities or ESSs must permanently retire the number of RECs equivalent to the target load percentages. For example, if a utility is subject to a 10% target and sold 100,000 MWh to Oregon customers, then it must retire 10,000 RECs to meet its compliance target.

For large utilities, no more than 20 percent of their compliance target in a given year may be met through the use of unbundled RECs, although large consumer-owned utilities such as EWEB have a limit of 50 percent until 2020. RECs from PURPA facilities in Oregon are exempt from this limit.³

RECs may be banked indefinitely and used in future years. Older RECs must be used before newer RECs, called the “first in first out” principle.

Implementation Plans and Compliance

The Oregon Renewable Portfolio Standard compliance schedule for the state’s three largest utilities began in 2011. In 2012, Eugene Water and Electric Board, PacifiCorp, and Portland General Electric will demonstrate REC retirement in an amount equivalent to five percent of its 2011 retail sales, unless otherwise exempted (see Exemptions to RPS Targets, above).

Every two years, large utilities submit implementation plans detailing how they expect to comply with the standard.⁴ The plans include annual targets for acquisition and use of qualifying

³ PURPA is a federal law that requires utilities to purchase the output of smaller energy projects.

⁴ EWEB reports its plan to comply with the RPS in its Integrated Energy Resource Plan.

electricity and the estimated cost of meeting the annual targets. Prudently incurred costs associated with RPS compliance are recoverable in rates.

Investor-owned utilities and ESSs must submit their annual compliance reports to the OPUC. Consumer-owned utilities report compliance to their customers, boards, or members.

Consumer Protection and Cost Controls

There are two mechanisms that serve as cost protections for Oregon consumers: an alternative compliance payment mechanism and an overarching “cost cap” on utility RPS expenditures.

Alternative Compliance Payment: In lieu of acquiring a REC to comply with a portion of the RPS, a utility or ESS may instead pay a set amount of money per megawatt-hour (MWh) into a special fund that can be used only for acquiring renewable energy resources in the future, or for energy efficiency and conservation programs. This mechanism sets an effective cap on the cost of complying with the RPS on a per MWh basis.

Cost Cap: Utilities are not required to comply with the RPS to the extent that the sum of the incremental costs of compliance with the RPS (as compared with fossil-fuel power), the costs of unbundled RECs, and alternative compliance payments exceed four (4) percent of a utility’s annual revenue requirement in a compliance year. Consumer-owned utilities may also include R&D costs associated with renewable energy projects in this calculation. As of 2012, the incremental cost of compliance for all Oregon utilities has been well below the four percent cap.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Lance Robertson, Public Affairs Manager; Jason Heuser, State and Federal Affairs
Coordinator
DATE: May 21, 2015
SUBJECT: Oregon Legislative Session Update
OBJECTIVE: Update the Board on legislative activities and bills of interest to EWEB

Issue

The 2015 Oregon legislative session convened Feb. 3, 2015. This memo is to apprise the Board of key issues of interest to EWEB.

Background

Prior to the start of each legislative session, the Board adopts general policy directives for advocacy at the Capitol, which guide the work of EWEB's lobbying activities. When political considerations test the applicability of those directives, the General Manager makes a determination as to whether a fundamental shift in direction is required. The Board may be asked to reaffirm its policy or direct staff to make necessary adjustments.

Discussion

The following is a summary of current state legislative activity of interest to EWEB:

Climate Change Legislation

A number of bills dealing with carbon taxes, cap and trade programs, and other market-based greenhouse gas reduction approaches have been discussed at the Legislature this session. At the time of this memo, none of these bills has received substantive consideration for advancement, despite strong interest from a block of House Democrats.

HB 3470 has recently been shuffled on and off the legislative schedule for a work session. This bill would enforce a state "carbon cap" and leave details on how Oregon will meet this cap to be determined through rulemaking at the Oregon Department of Environmental Quality (DEQ). This legislation has some overlap with EWEB's adopted carbon policy resolution, but also some contradictions and unknowns. EWEB is maintaining neutrality on this bill until more can be discerned about the substance and intent of this legislation, as well as possible implications for EWEB. EWEB staff will be closely monitoring this legislation and evaluating possible amendments as compared against EWEB's adopted carbon position. If necessary, this matter may be brought to the Board for further guidance.

HB 2941 -- Community Solar

HB 2941 was amended and passed by the House Energy and Environment Committee and was taken up for a public hearing by the Senate Business and Transportation Committee on May 20. The bill as now written would require investor-owned utilities to offer a rate option to residential customers for electricity associated with a off-site solar photovoltaic energy resource (i.e, not specifically on the customer's rooftop or property). Like a utility "greenpower program," residential customers of an IOU would be able to choose to pay a higher rate matched with the above-market costs of a solar photovoltaic energy resource.

Unlike traditional greenpower programs, where the renewable energy credits (RECs) retired on behalf of participating customers are from multiple energy resources, HB 2941 would afford customers an option to have all of the RECs retired on their behalf be from a specific solar resource. Customers who are not homeowners, or homeowners without suitable roofs for solar access, would be afforded an offsite alternative that is nearly equivalent to meeting their energy consumption with a specific solar energy resource.

The affect of the House amendment essentially removed a prescribed approach to community solar that utilities must offer "virtual net metering" to participating customers, which would in fact reduce the bills of participating customers, resulting potentially in increased costs to non-participating customers.

HB 2193 -- Energy Storage

HB 2193 would direct investor-owned utilities, supervised by the Public Utility Commission, to procure one or more qualifying energy storage systems with capacity to store at least five megawatt-hours of electricity and recover the costs in rates if judged to be prudent and cost effective.

HB 2193 does not apply to EWEB or other public/consumer owned utilities. However, staff had concerns with this bill due to the borrowing of language from the Oregon Renewable Portfolio Standard that applied HB 2193 to investor-owned utilities serving more than 3 percent of Oregon's electric load. This replication of the 3 percent threshold for applicability of state mandates could give credence to a notion that EWEB should permanently be included in the same utility classification as Portland General Electric and Pacific Power, and that any mandate suitable for Oregon's two large investor-owned utilities would also be suitable to apply as a mandate to EWEB.

Due to this concern, EWEB staff negotiated an amendment deleting the problematic language, which was adopted into HB 2193 on May 20 in the Senate Business and Labor Committee, where the bill was approved and sent to the House of Representatives for concurrence.

Offshore Wind Procurement Mandate

Seattle-based Principle Power was awarded federal funding in 2014 to develop a 30-megawatt offshore wind pilot project off the coast of Coos Bay. Offshore wind has begun to receive more attention recently. Proponents say better wind speeds are available at sea than on land, creating more electricity than other projects, and that turbines are less noisy and less visible than on land. The technology is far from commercialization, however, and costs are estimated at \$300 per megawatt hour or higher.

A proposal was reportedly floated to mandate that utilities in the large standard of Oregon's Renewable Portfolio Standard, including EWEB, be required to purchase the output of the Coos Bay pilot project. No actual bill was formally introduced. EWEB and other Oregon utilities proactively and aggressively lobbied to halt this proposal before it was even formally offered as an amendment to any legislative vehicle. EWEB's opposition was based on the mandate to purchase wind power at a much higher cost than current wholesale or retail rates, therefore potentially forcing up electric rates for our customers. The proposal appears to have been suspended as a result.

Energy Supplier Assessment (ESA)

New action on the Energy Supplier Assessment paid by EWEB and other electric utilities was not expected to be a topic this session. However, due to concerns that 2013 ESA reforms have not been correctly implemented, a small coalition of utilities, including EWEB, is at this time pursuing a four year moratorium on ESA increases. The ESA has steadily increased each biennium such that EWEB's 2014 ESA invoice was double what it was in 2007. This issue may not be resolved till the closing days of the session in late June.

HB 2599 -- Utility Shutoff Moratorium

HB 2599 has now been amended to only require statewide reporting of utility shutoff policies, impacts and outcomes. Investor-owned utilities will report to the Oregon PUC and consumer-owned utilities will report to their elected governing bodies.

Prior to amendment, the bill likely would have proved costly, labor intensive and difficult to demonstrate full compliance. Utilities would have been prohibited from shutting off electric or natural gas service during the "heating season" or when temperatures exceed 100 degrees Fahrenheit if any of several conditions were met. It also would have significantly expanded shutoff noticing requirements.

The amended bill with only reporting requirements is expected to be passed into law and signed by the governor soon.

Recommendation/Requested Board Action

This memo is for informational purposes. No board action is requested. If you have questions about the issues identified in this memo – or any other legislative actions of interest – please contact Jason at jason.heuser@eweb.org.