



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Helgeson, Brown, Mital, Simpson and Carlson
FROM: Frank Lawson
DATE: June 29, 2017
SUBJECT: Strategic Plan; 2017-2020
OBJECTIVE: Discussion and Potential Action

Issue

Periodically, EWEB updates and revises our strategic plan. Attached is a new strategic plan for discussion and potential approval at the July Board meeting. Over the past year, the General Manager and Executive Team have worked with the Board of Commissioners to form the basis for this plan.

Recommendation

Following a presentation and general discussion, Management recommends the Board deliberate, revise, and approve the strategic plan.

Requested Board Action

Management recommends that the Board make the following motion, followed by further detailed discussion, revision(s), and potential adoption;

“In accordance with Board Policy BL4, I move to adopt the Eugene Water & Electric Board Strategic Plan, 2017-2020, [with the exception of (list potential revisions here)] and instruct the General Manager to implement the plan in accordance with Board Policy BL4, Paragraph 2”.

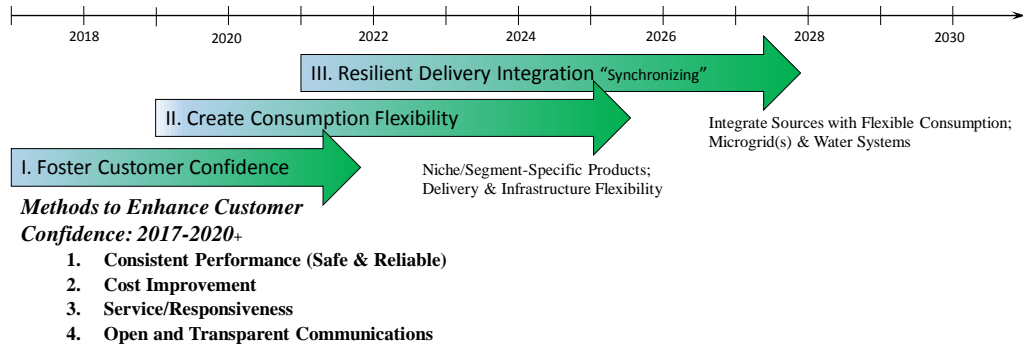
Eugene Water & Electric Board Strategic Plan (2017-2020)

Adopted by the EWEB Board of Commissioners on _____.

Strategic Summary

10-Year Strategic Priorities

- 1. Emergency Preparedness & Disaster Recovery*
- 2. Electric Resource Choices*



Purpose

The intent of this strategic plan is to provide the context and understanding needed to manage policies and make decisions, identifying what EWEB will and won't pursue. The plan should guide and align the organization, inspire action, and motivate us to achieve desired results. We will review and update the plan annually, or when impactful changes occur.

Introduction

The Eugene Water & Electric Board (EWEB), one of the oldest publicly owned electric utilities in the Northwest, was founded in 1911. Today, EWEB is Oregon's largest customer-owned utility serving approximately 200,000 people in the greater Eugene and McKenzie Valley areas. Each year, EWEB is responsible for delivering 7.5 billion gallons of drinking water and 4.5 million megawatt-hours of electricity. In accordance with the City of Eugene Charter, a five member Board of Commissioners is elected by the citizens of Eugene for staggered, four-year terms.

EWEB serves a city that is known for its dedication to action and self-sufficiency. The inspiration for creating a publicly-owned utility came from an increasing dissatisfaction with the private water company serving the community. In 1916, the Board purchased the Oregon Power Company's electric system, positioning the utility as the full-service provider it is today. The utility's name changed to Eugene Water & Electric Board in 1949.

Strategic Priorities...the two "Big Ones"

The most significant decisions confronting EWEB in the next decade involve sources of supply, including the renewal, replacement, or termination of major electric generating resource contracts, and decisions involving the diversification of drinking water sources for purposes of community resiliency and disaster recovery.

Prior to 2028, EWEB will need to reassemble a power generation portfolio, renewing or replacing over 400 MW of resources, including EWEB's contract with Bonneville Power Administration (BPA) and the Carmen-Smith hydro facility relicensing project requiring an additional \$115 million investment. These decisions are worth billions, and will be made in the context of changing technology, markets, and customer expectations.

Eugene is also the largest community in the Pacific Northwest without a second source of drinking water. Ultimately, another surface water plant on the Willamette will be required to meet demand, and will justify the investment and associated rate increases. However, up until more volume is needed, using partnerships to create emergency water response, independent of the condition of our transmission and distribution pipes, is a more practical and effective approach for an Alternative Water Source (AWS).

Addressing these strategic priorities will require consumption understanding and tuning, including the impacts to both wholesale and retail markets, and the value created for our customer-owners. During both normal and disruptive circumstances we will rely on our consumers to help us execute and make decisions, which will require their enhanced trust and confidence in EWEB. Confidence will be enriched through our consistent performance and transparent communications. Ultimately, our strategic priorities can be achieved using a "resilient delivery" utility business model, and require concentration on improving resiliency in the following two areas.

10-Year Strategic Priorities...the two "Big Ones"

- | |
|--|
| <ol style="list-style-type: none"><i>1. Emergency Preparedness & Disaster Recovery</i><i>2. Electric Supply Resources</i> |
|--|

Vision

Our vision describes our future and what we want to achieve, and is stated as follows:

Vision

Our vision is to be a local utility that our customer/owners choose to invest in and rely on.

This vision implies that customers will have more utility and consumption choices in the future, and as owners will be integral in investing in that future, both financially and through program participation. We will have to earn their ownership and business.

Mission

Our mission describes how we will achieve our vision, and is stated as follows:

Mission Statement

Our mission is to enhance our community's vitality by providing drinking water and electric services consistent with the values of our customer-owners. Alternative: Our mission is to enhance our community's vitality by providing drinking water and electric services safely, reliably, and responsibly.

“Vitality” acknowledges the essential services that we provide, and highlights our vital contribution to the health and welfare of our community. “Consistent with the values” recognizes our owners are Eugene residents and our customers, and stresses the importance of the methods we use to deliver our services. We will need to aggregate, align, and balance the diversity of these community values with EWEB’s strategic priorities.

Values

Decisions will be made to support a strategic direction without sacrificing “core values”. Therefore, we have re-crafted our core values to provide a simpler basis to guide and/or overrule decisions. These values are unique and sacrosanct; they can never be compromised, either for convenience or short-term gain. As proven by our decisions and actions, our core values are the following:

Organizational Core Values

We value...

- ensuring workforce and public safety (*SAFE*)
- reliable delivery of quality drinking water and electricity (*RELIABLE*)
- responsible stewardship of our customers’ financial and natural resources (*RESPONSIBLE*)
- our local sovereignty (*LOCAL*)

Organizational Principles

Our organizational core values are supplemented by a set of principles and behavioral expectations that are listed in Board policy. We care about our community and the environment. We strive to provide affordable products and services, continuously improving our efficiency and effectiveness. We emphasize customer service, defining value through our customers’ eyes. We will treat each individual respectfully, and will create a quality work environment.

Strategic Evolution

Optimizing our resource and resiliency decisions over the next decade will require a *sequence* of strategic efforts and accomplishments. The eventual “resilient delivery” business model will be based on providing critical services more resiliently using a path that begins with the following.

Initial Phase Strategic Summary

Over the next three years, increasing customer value will cultivate the confidence needed for resiliency and long-term resource decisions.

This strategy denotes the impact of near-term performance on our customer relationship, and the role of our customers in pursuing our 10-Year Strategic Priorities. It is expected that our strategy will evolve as we progress through the following phases over the next decade.

Strategic Phases

<u>Phase</u>	<u>Theme</u>	<u>Method</u>
2017-2020+	Foster Customer Confidence	Focused Performance (Cost, Responsiveness)
2018-2022+	Create Consumption Flexibility	Niche/Segment-Specific Products; Delivery & Infrastructure Flexibility
2020-2026+	Resilient Delivery	Integrate Sources with Flexible Consumption; Resilient Grid and Water Network

Phase I – Foster Customer Confidence

Our relationship with our consumers will impact the execution of our water and electric strategies. Both utilities require that customers help us understand and potentially adjust consumption patterns in the future. Widespread customer trust is essential. While this phase is an extension of our previous “*perform while we transform*” strategy, it more clearly focusses “perform” improvements on cost and customer responsiveness through simplicity and ease of doing business with us.

Methods to Enhance Customer Confidence: 2017-2020+

- | |
|--|
| <ol style="list-style-type: none">1. Consistent Performance (Safe & Reliable Delivery)2. Cost Improvement (Responsible)3. Service/Responsiveness – Ease of doing business4. Open and Transparent Communications |
|--|

Other than product value (benefits versus cost), customers evaluate us based on their unique, non-routine service-based experiences (storms, billing questions, rebates/credits, renovations, etc.).

The objective of this phase is to cultivate customer confidence by consistently and transparently improving our performance.

Phase II – Create Consumption Flexibility

Organizational performance and resiliency are aided by agility, whether referring to negotiating contracts, optimizing resources, or responding to emergency or unanticipated events. In some cases, for our customers to “Rely on Us”, we need their help. Electric energy market dynamics are creating acute swings in seasonal, daily, hourly, and within-the-hour prices. The time of power consumption (or conservation) is equally important to how much average energy is consumed, but will require we facilitate flexible consumption programs to take advantage of this market characteristic. Additionally, our ability to be resilient in cases of electric or water disruptive events will require customer involvement.

The objective of this phase is to create products, services, and infrastructure that facilitate consumption flexibility.

Phase III – Resilient Delivery

Changes in technology, regulations, markets, and customer expectations will drive business model choices for utilities, including EWEB, in the future. Our future requires an enhanced agility, including system and customer flexibility in order to resiliently deliver our critical services. Our major decisions involving sources and supply will be influenced by, and will impact our future ability to fulfill our mission. How effectively we make our major resource decisions will depend on our ability to dynamically synchronize these resources with changing customer needs under a variety of future conditions including emergencies and natural disasters. We will need to integrate sources of supply (including new and/or distributed sources), fortified links between sources and critical consumption hubs “resilient spines”, and flexible distribution (consumption and infrastructure) in order to resiliently deliver our future services.

The goal of this phase is to create a more resilient grid and water network.

Future State Business Model

Resilient Delivery Model =](Sources of Supply + Resilient Spine(s) + Flexible Distribution & Consumption)
----------------------------	---

Strategic Implementation

Our resources belong to our customer-owners and community, including financial (money, assets) and natural (rivers, air, wildlife). Investments are required to improve essential “compulsory” services, as well as achieve strategic objectives. The essential functions listed below are required for the utility to deliver basic service levels. The strategic investments support the improvement of sustainable performance over time, including the evolution of our products and services, and the progression of EWEB toward a “resilient and independent delivery” model.

While all of these investments are important, priorities must be guided by regulations and statutes, Board direction, policy, and our values. Strategic investments will be scaled to align with good financial responsibility, spending at sustainable levels that our customer-owners can afford. Along with strategic initiatives, safety, reliability, and responsible stewardship of our customers’ resources, including money and natural resources, will be the priorities that drive decisions and investments.

Essential Operations

Effectiveness and efficiency improvements target cost and customer responsiveness through simplicity and ease of doing business with us, while maintaining safety and reliability of existing essential services, including the following.

- *Regulatory (financial, NERC, FERC, PUC, ODH, DEQ, etc.)*
- *Continuance of Operations (reliable delivery of drinking water and electricity)*
- *Obligation to Serve (Customer Service, Connection, etc.)*
- *Chartered (City Billing)*

Over the next three years, we will aspire to the following management levels of our essential functions.

- MAINTAIN our safety, reliability, and delivery performance
- MAINTAIN our regulatory compliance and legality
- IMPROVE our storm and disruptive event response
- IMPROVE our responsiveness to customers; become simpler and easier to transact with

Strategic Investments

Strategic investments will focus on the pursuit of our strategic priorities, sequenced with our strategic evolution phases. The following areas will be strategic investments, executed according to our values.

Infrastructure Replenishment & Replacement (Capital) - Water & Electric

- Replenish and replace assets at approximately 1.5-2.0 times annualized depreciation rates, including strategic spending on the Water Reliability Initiative (WRI) and the Carmen-Smith Relicensing Project.
- Emphasize emergency preparedness & disaster recovery, working with local partners to enhance system resiliency.

Power/Energy Resource Planning (beyond supply chain management)

- Develop dynamic, stackable and interactive models of resources, prices and markets, and consumption to optimize resource choices for different scenarios.

Community Support Programs (*Financially Vulnerable (Low Income), Consumption Programs (Energy Efficiency, Electrification, Water Conservation), Education Grants, etc.*)

- Move from “baked in” funded programs to providing services at levels supported by customers.
- Focus our efforts on maximizing the broader benefits of essential services (safe, reliable, responsible/affordable) for all customer classes.
- Provide a mechanism for our Board of Commissioners and customer/owners to guide socially-driven opportunities of niche segments with a narrow set of beneficiaries.

Modernization (*Technology, Customer Information System, Advanced Metering Infrastructure (COM, MDMS, Meters, Intg.), Infrastructure and Control Systems*)

- Arrange the investments to align with the strategic phases starting with “Foster Customer Confidence” (e.g. Customer Information System, operational (safe, reliable, responsible), customer responsiveness), then progressing toward consumption and infrastructure flexibility, followed by the integration of sources, resilient spine, and delivery flexibility.