MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO:	Commissioners Schlossberg, Brown, Carlson, Barofsky, and McRae
FROM:	Susan Ackerman, Chief Energy Officer
DATE:	April 6, 2021
SUBJECT:	2021 Power Market, Budget Hedging, and Generation Update
OBJECTIVE:	Information Only

Issue

The purpose of this backgrounder is to provide an annual update of wholesale power markets and a generation resource outlook.

Background

The Power Planning and Trading Operations sections manage EWEB's power supply and wholesale market activities consistent with utility financial objectives, in accordance with Board Policy contained in SD8, and as further described in the EWEB Energy Risk Management Procedures. Generation manages EWEB's owned generation assets.

Summary

Wholesale markets averaged near historic lows in 2020, with the exception of a short period of volatile pricing during the summer period. For 2021 and beyond, staff expects market prices to remain low, but recognizes there can be regional supply/demand stress events, leading to periods of price volatility, which may impact purchased power costs and wholesale energy sales.

Maintenance and repairs continue at several EWEB generation facilities. Where necessary, repairs are being coordinated with FERC. A wet and cold February improved Oregon hydrologic conditions to near normal levels, but periods of repair and maintenance will likely result in less generation than is historically expected.

This update for markets and generation is reflected in our current financial projections.

Discussion

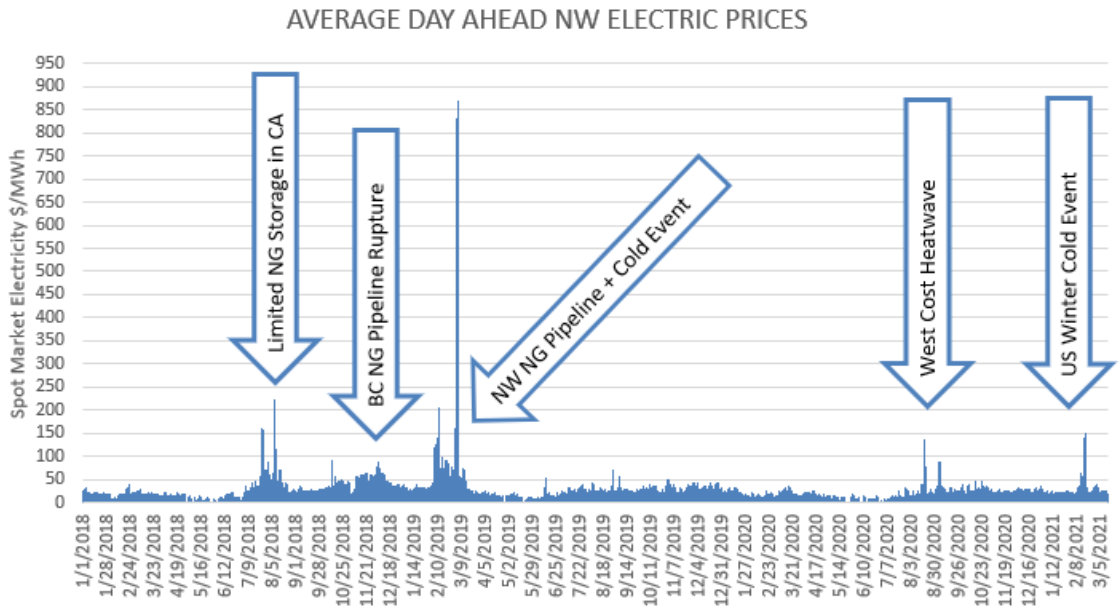
Market Price Update

Wholesale energy markets can generally be described as either near term "spot markets" or longer term "forward markets"[1]. For spot markets, prices are impacted by weather (e.g., temperature and precipitation) and operational phenomena (e.g., generation and transmission availability), while forward markets tend to reflect longer term market expectations of energy supply and consumer demand. Both forward and spot markets can influence the cost of balancing EWEB's energy portfolio in annual, monthly, daily, and hourly time frames.

Spot Markets

Over the last couple years, the WECC[2] Region has seen continued additions of low/zero marginal cost renewable resources like wind and solar, and incremental retirements of conventional, thermal resources like coal and nuclear[3]. As such, during most times of the year there is abundant low/zero marginal cost energy available in the market. However, the region's capability to respond to changes in the region, like a peak load event or unforeseen generator/transmission outage, has diminished. Currently, new renewable resources can only replace a portion of the effective capacity of now retired thermal resources. This has resulted in recent spot markets that can be characterized as long periods of historically low prices, interspersed with short, intense periods of extremely high and volatile pricing. Because the northwest is interconnected with other parts of the WECC Region (e.g., California) and experiencing similar changes in regional supply mix[4], we are seeing similar trends in local spot market and forward market pricing.

Figure 1: Daily average, Northwest spot market prices since 2018



[1] Spot markets typically refer to markets where commodities are traded for immediate (next day, next hour) delivery, whereas forward markets imply markets where the traded commodity is delivered in a future period.

[2] The Western Electricity Coordinating Council.

[3] https://www.eia.gov/todayinenergy/detail.php?id=46436

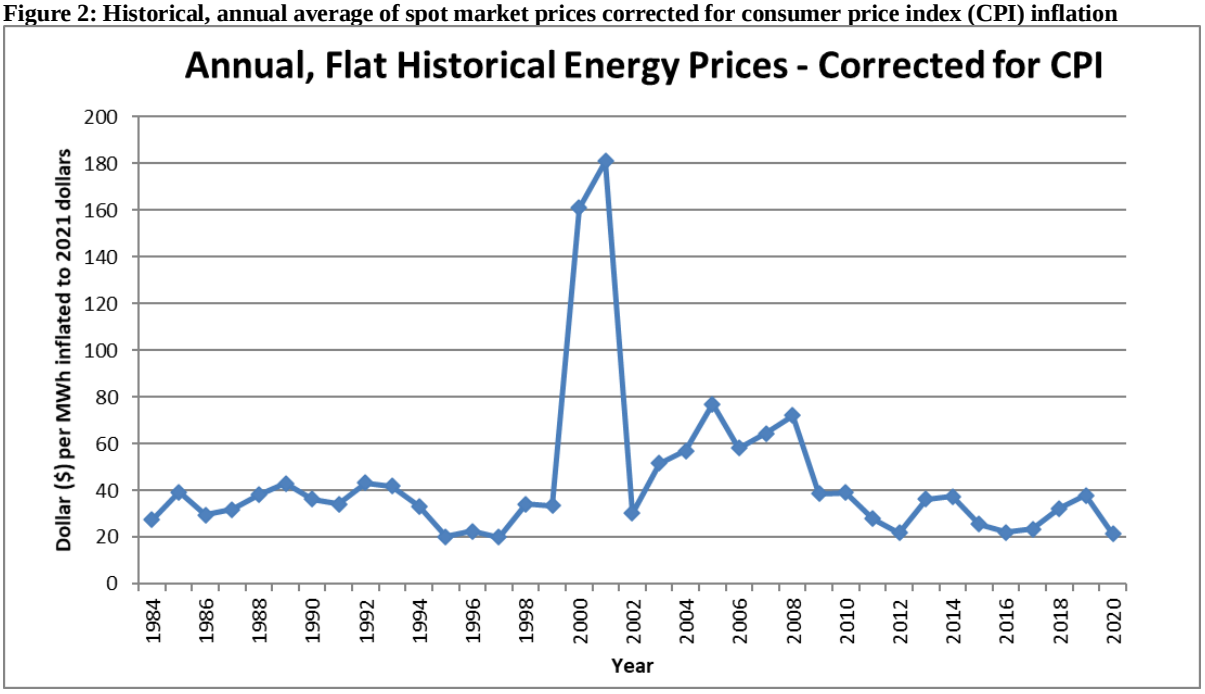
[4] During 2020, coal plant retirements in Oregon, Washington and Montana accounted for 1,834 MWs of reduced base load capacity. *https://www.nwcouncil.org/news/coal-retirements*.

During 2018 and 2019 the northwest experienced several high-priced market events. These events were mainly attributed to natural gas shortages caused by various natural gas transmission and storage issues. These shortages drive up the cost of natural gas, which in turn drives up the marginal cost of electric generation used to serve demand in the spot market. Overall spot market prices in 2018 and 2019 averaged approximately $31/MWh and $37/MWh respectively.

Though 2020 didn't include a major disruptive gas event like 2018 and 2019, we did experience a historic west coast heat event that resulted in rolling blackouts in California for the first time since the 2001 energy crisis. The event lasted several days during which northwest day-ahead prices peaked at $136/MWh. Aside from this event, spot market prices in 2020 were relatively stable. The 2020 average, annual spot market price finished near historical lows at approximately $21/MWh, substantially below the settled averages of either 2018 or 2019.

In February 2021, the northwest spot market saw another surge in prices as a nation-wide cold weather event drove up demand for energy and as such, the daily price of traded gas. This resulted in a week-long price event, causing electricity markets to jump from approximately $25/MWh to over $150/MWh.

Figure 2: Historical, annual average of spot market prices corrected for consumer price index (CPI) inflation



Forward Markets

Current forward market prices are projected to be higher than 2020 spot market prices. The shift appears to be driven by anticipated recovery in demand for both electric and natural gas energy sources. The U.S. Energy Information Administration ("EIA") forecasts that Henry Hub[5] natural gas commodity prices will stay relatively flat through 2022[6]. As such, staff anticipates that forward power markets will continue to remain flat but marked with volatility during periods of system stress. For example, current forward markets show the highest prices during summer

[5] Henry hub (located in Louisiana) is the physical delivery point for natural gas traded on the NYMEX and ICE. As such, it generally serves as the primary benchmark reference for US natural gas commodity prices.

[6] https://www.eia.gov/todayinenergy/detail.php?id=46456

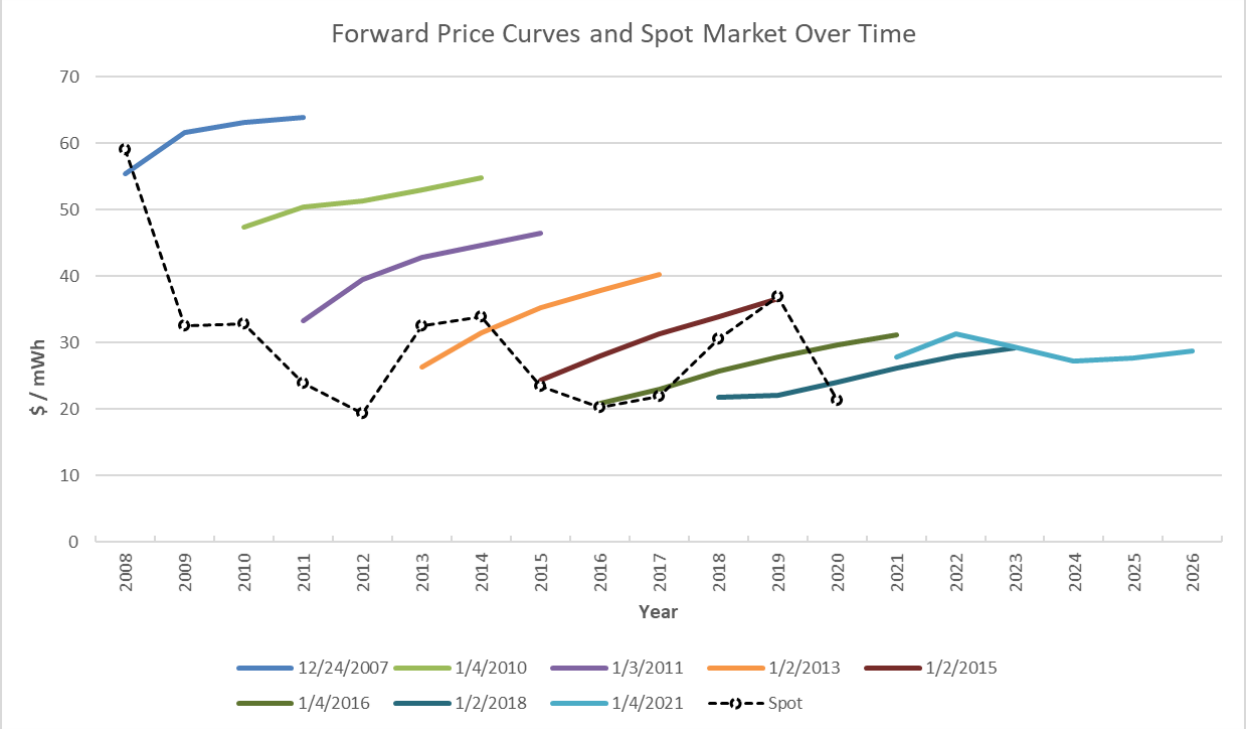
($70/MWh for Aug '21 Peak[7]) and winter ($45/MWh Dec '21 Peak) months. This shape in seasonal pricing largely mirrors the spot market history experienced over the last couple of years.

Forward markets do not account for emergent policy issues like the development of new, complementary markets such as energy imbalance, capacity, and carbon, which are expected to trade outside of traditional energy markets. The value of these emergent markets to EWEB will largely be a function of implementation. As such, staff continue to take a proactive advocacy role in all relevant regional conversations.

Finally, forward market prices are subject to change with emergent conditions. Some recent factors that are driving market uncertainty include electrification efforts (e.g., transportation and space heating), the strength of the US economy, the impact of and projected recovery from the COVID-19 pandemic, and the global oil trade (which is highly correlated with domestic natural gas production).

Figure 2, below, shows both forward market price curves, and spot market prices, over time. A forward curve reflects prices for future periods of delivery, which can be traded at today. The first line reflects a forward curve taken at the end of 2007. The subsequent lines reflect changing forward price curves for the years that followed. For over a decade, forward market price curves experienced a period of consistent declining value. Currently, forward market curves reflect low and flat annual pricing.

Figure 2: Historical forward price curves and spot prices



7 Generally, "Peak" or "on-Peak" refers to a daily 16-hour period that coincides with the greatest amount of electrical energy usage, and the highest marginal cost of energy. https://www.naesb.org//pdf/weq_iiptf050504w6.pdf

Resource Adequacy

The periods of volatility experienced in both spot and forward markets are a function of the region's ability to maintain Resource Adequacy[8] (RA). In October 2019, staff sent correspondence to the Board which provided a background and context for the issue. The correspondence stated that staff believe that EWEB has access to adequate resources to serve their customers. However, it also noted that given the risk and impact of RA to EWEB's customer owners, that it is in the best interest to support and influence a coordinated approach to managing RA on a regional level. Since then, EWEB has actively participated in the Northwest Power Pool (NWPP) led effort to develop a shared set of standards, and a voluntary RA market, designed to promote cost effective resource adequacy for the entire region. A high-level introduction to Resource Adequacy can be found on BPA's website[9].

Questions have arisen as to whether a NWPP RA program will mean the region will avoid the kind of supply disruptions and customer outages that California experienced in the summer of 2020, and that Texas experienced this past winter. The direct answer is "not necessarily." The NWPP RA program is intended to more cost-effectively serve the region's capacity critical load hours, assuming 1-year-in-10 peak weather events. California and Texas experienced *very* extreme weather events (extreme heat in California, and extreme cold in Texas) that resulted in inadequate supply given the associated demand. No utility plans its system to serve loads under all circumstances. Therefore, all regional grids are vulnerable to extreme weather events, which seem to be more frequent with climate change. The NWPP RA program is one of several actions the region is pursuing to make such widespread disruptions less likely.

[8] An electricity system's ability to meet demand under a broad range of conditions, subject to an acceptable standard of reliability.

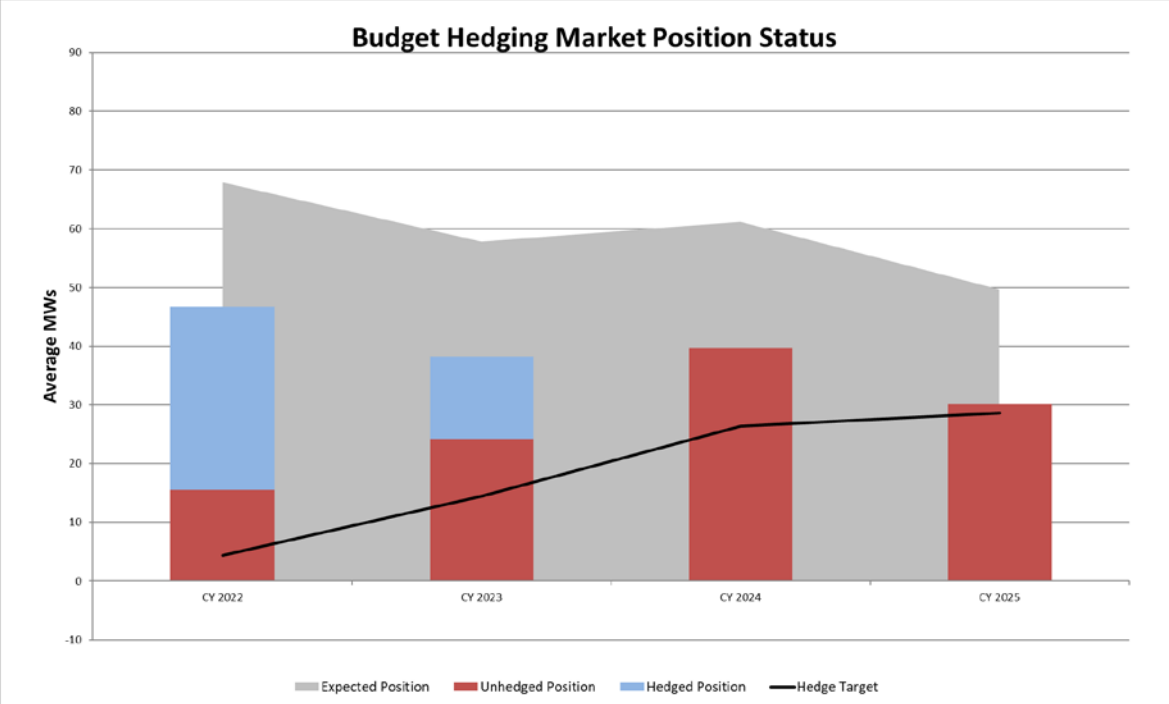
[9] https://www.bpa.gov/news/AboutUs/Hydropower-101/Pages/Resource-adequacy-Meeting-the-regions-energy-needs.aspx

Surplus Position Hedging Update

In accordance with EWEB's Risk Management Procedures, staff hedges[10] a portion of its surplus position[11] up to five years in advance. This provides two benefits: 1) it reduces financial exposure related to market prices; and, 2) it results in sales executed at various times which diversifies the sales price by "dollar cost averaging" through time. This strategy results in near-term years being fully hedged while year five is the least hedged, with interim years somewhere in between. Beyond five years EWEB does not hedge any surplus energy.

Figure 3, below, shows EWEB's surplus market position for 2022-2025 based on the budget hydro assumption which is 90% of expected hydro generation. The top of each stacked column indicates EWEB's original surplus market position; i.e., the amount of forecasted generation EWEB expects to realize in excess of that which is forecasted as being necessary for reliable load service. The blue bar represents the volume of energy hedged by staff. The red bar represents the remaining unhedged surplus. The black line reflects the desired pace of hedging activity the Risk Management Committee (RMC) would like to achieve over time. The gray area behind the stacked columns reflects EWEB's expected surplus, without the budget hydro assumption.

Figure 3: Budget Hedging Progress



[10] A hedge is a trade or set of trades that reduces the market price exposure risk inherent in EWEB's portfolio length. EWEB hedges to provide greater wholesale revenue certainty.

[11] Surplus position is an amount of energy that staff forecasts will not be needed to serve EWEB's customers and is therefore exposed to changes in market price. For 2022-2025 there is about 40 aMWs of surplus compared to EWEB's load of about 275 aMWs

EWEB Owned-Generation Update
The Leaburg power canal and powerhouse remain offline due to canal dam safety concerns identified in late 2018. In 2020, EWEB, our consultants and representatives from FERC Dam Safety- Portland Regional Office completed a Semi-Quantitative Risk Analysis (SQRA) workshop for the Leaburg Canal. The SQRA was performed to identify and evaluate potential failure modes for the canal and their likelihood of occurrence, severity of consequences, level of confidence in the estimates and possible risk reduction measures. At the February 2021 Board Meeting, Commissioners communicated their support for continued design and deployment of risk reduction methods while engaging the community and regulators in a discussion regarding the ongoing operation or decommission of the Leaburg/Walterville Project.

Deployment activities for environmental and recreational improvements to the Carmen Smith Project in the newly issued license continued in 2020 and include design for the reconstruction for the Chinook Salmon Spawning Channel, upstream and downstream fish passage and the Trail Bridge Campground. Planned activities for 2021 include the reconstruction Spawning Channel, relocation of the transmission line in Deer Creek and installation of bird flight diverters on over-water spans of the transmission line. The powerhouse continues to operate having experienced pandemic and contractor caused delays in 2020 to the planned project to replace the first of two turbine runner/generator units. That project is now set to begin no earlier than July 2021 and run continuously through mid-2023.

Following a wet and cold February, the 2021 hydrologic year for the Oregon Cascades, which will affect EWEB's owned hydroelectric resources is tracking near or slightly above average. Staff will continue to monitor conditions through mid-April in order to determine the appropriate flow guidance to operate the Walterville facility. An update to the Board will be included in the May Board meeting materials.

EWEB's other owned generation facilities (Stone Creek Hydroelectric and Harvest Wind) continue to operate normally and are expected to do so throughout 2021. They are scheduled to have typical maintenance outages throughout the year. The Stone Creek transmission line was damaged during the Riverside Fire in late summer of 2020. Three of the damaged transmission poles have been replaced leaving 31 replacements planned for 2021.

Requested Board Action - None

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

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TO: Commissioners Schlossberg, Brown, Carlson, Barofsky and McRae

FROM: Rod Price, Chief Operating Officer

AUTHOR(S): Leon Atkinson, Communications & Control Supervisor; Gretchen Lowen, Engineering Technician

DATE: February 17, 2021

SUBJECT: Annual Rate Adjustment for Dark Fiber Lease Pricing

OBJECTIVE: Information Only

Issue Statement

In accordance with the provisions of Board Resolution No. 1304 which established a Dark Fiber Lease Rate in 2013 (DFL-1) and Board Resolution No. 2108, the rate is adjusted annually based on either the City of Portland Consumer Price Index (CPI) or an updated Cost Of Service Analysis (COSA); the implementation date is April 1 each year. EWEB's current 'public purpose' rate (public agencies, higher education, and existing medical service providers) is $29.60 per fiber strand-mile per month. This update is based on updated COSA results.

Background

In 2021 EWEB Fiscal Services and Engineering staff initiated a cost of service study to recalibrate dark fiber lease pricing. In accordance with the provisions of Board Resolution No. 2108, the intention is to produce an updated COSA every other year. The last study was conducted in 2018. The results of that study were adopted by the Board as the published 2018 pricing. For 2019 & 2020 the Board adopted a pricing increase based on CPI.

Discussion

Pursuant to past Board action, EWEB's three Dark Fiber rates will remain as follows based on the updated COSA results:

Customer Group	Current DF Rate	April 1, 2021 DF Rate
Public Agencies DFL-1	$29.60 per fiber strand-mile month	$29.60 per fiber strand-mile month
School Districts K-12	$5.27 per fiber strand-mile month	$5.27 per fiber strand-mile month
For-Profit Companies	$59.20 per fiber strand-mile month	$59.20 per fiber strand-mile month

Recommendation

There is no recommendation or requested board action.

Staff is informing the Board of the April 1, 2021 annual rate increase of 0.0% in accordance with past Board actions.

Please contact Rod Price at 541-685-7122 or e-mail at rod.price@eweb.org with questions.

Attachments:

1) Electric Customer Service Policies and Procedures, E-V, Subsection R; Dark Fiber Lease

R. Dark Fiber Lease

1. Availability

EWEB's fiber optic cables run through public right-of-way and are owned and maintained by EWEB. This Price Schedule applies to public agencies and higher-level educational institutions as well as medical service providers within EWEB's service territory, with the exception of any other price that may apply under a separate agreement or Price Schedule.

2. Character of Service

EWEB's Dark Fiber Lease Price Schedule (DFL-1) pertains to the available surplus fiber strands contained within EWEB's existing fiber-optic system, covering the Eugene metropolitan area and other areas within EWEB's service territory. Subscribing to EWEB's Dark Fiber Lease allows the interconnecting entity to obtain an indefeasible right of use of allocated EWEB-owned fiber strands for the purpose of transmitting voice, data and/or video signals between locations.

3. Interconnection

The Customer is responsible for providing a complete Conduit path from the termination point inside their facility to EWEB Facilities near the Customer premise, in accordance with EWEB's Fiber Optic Customer Standards. All Customer provided Conduit pathway facilities and patch panels shall be inspected and approved by EWEB prior to connection of the lateral extension. After connectivity, EWEB will own and maintain all Facilities up to and including the patch panel.

4. Advance Engineering Fee

All prospective EWEB Dark Fiber Lease subscribers must work with EWEB to complete an Advance Engineering Estimate of the cost and schedule for EWEB to provide dark fiber connectivity. A non-refundable $500.00 fee is required prior to completing the Advance Engineering Estimate.

Advance Engineering Fee $500.00
(Resolution No. 1304)

5. Construction Agreement

A signed "Dark Fiber Optic Circuit Construction Agreement" is required by EWEB before commencement of the detail Engineering design and construction of the lateral extension.

6. Non-Recurring Charges

The Customer shall pay an amount equal to 100 percent of the actual design and construction costs, payable upon completion of Dark Fiber connectivity.

7. Recurring Charges

The monthly charge for Dark Fiber Lease is determined by multiplying the length of the subscribed fiber strand(s) times the current monthly price. The length of each fiber strand is determined from EWEB's Geographic Information System (GIS) Fiber Manager Application rounded up to the nearest one-half mile length. This information will be recorded in the Lease Agreement.
Dark Fiber Lease bills shall be rendered quarterly.

2020-2021 Monthly Price per Strand Mile* $29.60

Note: *The Dark Fiber Lease Price Schedule will be adjusted annually based on updated Cost of Service Analysis (COSA) or the City of Portland Consumer Price Index if no COSA was performed. (Resolution No. 1907)

Dark Fiber Lease price to for-profit commercial customers shall be two-times the above published public purpose price. (Resolution No. 1705)

8. General Terms and Conditions

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

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

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TO: Commissioners Schlossberg, Brown, Carlson, Barofsky and McRae

FROM: Deborah Hart, Chief Financial Officer; Adam Rue, Fiscal Services Supervisor; Timothy Poublon, Senior Financial Analyst

DATE: March 30, 2021

SUBJECT: Annual Report on Power Trading Compliance

OBJECTIVE: Information Only

Issue

Board policy SD8, governing Power Risk Management, requires the Chief Financial Officer to present a report to the Board at least annually that covers trading and contracting compliance. This backgrounder provides information for calendar year 2020.

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. The Power Risk Management Committee ("RMC") is responsible for oversight and compliance with Board policy SD8. This governance body sets limits and establishes Power Risk Management Procedures (Procedures) for power trading operations to protect the utility from financial instability and unacceptable risk.

Discussion

The eight specific responsibilities of the RMC outlined in Board policy SD8 are listed below with a characterization of compliance status and instances in which compliance was maintained through exception.

Anti-speculation Statutes: **In Compliance**

Compliance with Board policy and anti-speculation statutes is maintained through megawatt limits on market positions to monitor and limit opportunities for speculation and exposure to price volatility. However, periodic changes to forecasts, load, and/or generation result in position limits being exceeded. In those events, the Procedures require positions to be brought back into compliance no later than the next trading day, unless approved by the Fiscal Services Supervisor and Power Planning Supervisor. EWEB maintained compliance with this procedure in 2020, which includes forward market positions from 2020 through 2023.

In 2020 there was one instance where a market position limit exception was approved by either the RMC, or the Fiscal Services Supervisor and Power Planning Supervisor. It is described below:

January 2020

- The compliance thresholds outlined in the Procedures moved from an annual test to a quarterly test. As a result, positions for two periods (Q2 2021 and Q4 2021) fell outside their firm-short compliance limits by 3 aMW and 9 aMW, respectively.
- The Fiscal Services Supervisor and Power Planning Supervisor approved to hold the positions to allow sufficient time for EWEB traders to solicit competitive bids in the market. Both positions were traded back into compliance later in January.

Development of Detailed Control Procedures: **In Compliance**

SD8 requires that the RMC establish and maintain Power Risk Management Procedures. Within these Procedures, processes are defined that govern roles and responsibilities, daily trade activity, and exception authorization. In late 2019 and early 2020, staff met with internal stakeholders to review the Procedures and make recommended edits for clarification and to reflect evolving business practices. Updated Procedures were unanimously approved by the RMC in mid-March 2020.

Notification of changes to compliance limits: **In Compliance**

No changes to compliance limits were recommended by staff or approved by the RMC during the 2020 calendar year.

Oversee control infrastructure and monitor compliance: **In Compliance**

The RMC meets monthly to monitor and review compliance limits and is notified of the status of Short-Term compliance measures at a minimum of weekly to provide insight in both current compliance status and market trends that may influence future compliance periods.

Authorize and monitor risk reports for financial results, market positions and credit exposure:

In Compliance

RMC meetings are held monthly. Prior to each meeting, voting members receive up to date compliance reporting materials that provide the basis for monitoring financial results and compliance with market position limits and credit. In 2020, RMC meetings were held either in-person or via video conference for each month other than March. In March, standard meeting materials were still distributed via email.

Trading counterparties are reviewed for creditworthiness on a prescribed schedule based on their credit limits and credit ratings set forth in the Procedures. Based on the timing of counterparty financials release, the credit risk mitigation can periodically be better served by extending limits to base the review on more recent information. Exceptions were approved by the Fiscal Services Supervisor to extend the documentation schedules for 14 counterparties for between 1 to 62 days to better align with the release of each company's financial statements, or to better align the timing of the review (i.e. 10 of the 14 were to push data from last day of the month to the first day for consistency). These exceptions to the documentation schedules were reported at the following RMC.

Review and approve contracts which impact EWEB's power portfolio: **In Compliance**

The RMC provides cross-functional oversight and review of any contracts that may have an impact on EWEB's portfolio to ensure that the Board mandate of risk mitigation and financial stability are

maintained. Where contracts require Board approval, the RMC provides direction and preliminary review in advance of Board action. No contracts requiring Board approval under SD8 were executed in 2020 and no changes to the approval thresholds are being requested.

In 2020, the RMC approved two contracts that did not require Board approval:

- In May the RMC unanimously approved an amendment to language in the power purchase agreement with WGA to provide flexibility to WGA prior to the sale of the project. This reduced power costs for EWEB.
- In November the RMC unanimously approved the sale of a bundled energy and REC transaction for a two-year term. The transaction did not meet the requirements of SD8 to require Board approval as this is an indexed-based trade that does not create market exposure, however the Procedures require RMC approval of the transaction and to report transactions with a term of greater than one-year to the Board.

Recommendation and Requested Board Action
This item is information only and no Board action is requested.

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

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TO:	Commissioners Schlossberg, Brown, Carlson, Barofsky and McRae
FROM:	Julie McGaughey, Chief Customer Officer; Juan J Serpa Muñoz, Business Line Manager
DATE:	March 26, 2021
SUBJECT:	Free Charging at Public EWEB Electric Vehicle Supply Equipment Stations
OBJECTIVE:	Information Only

Issue

Existing Blink-owned level 2 public electric vehicle supply equipment (EVSE or charging stations) are being replaced with EWEB-owned EVSE to provide affordable public charging for electric vehicles (EV). These stations will provide free public charging as part of a twelve-month EWEB pilot. Utilization and consumption patterns, and any needed changes including adding a fee structure will be evaluated after that time. Management is providing background information for this course of action.

Background

Current Blink-owned charging stations were installed in 2015. This equipment is antiquated and presents functionality, user utilization, and maintenance difficulties. Additionally, these Blink-owned stations located at the Roosevelt Operations Center (ROC) and Headquarters (HQ) building provide public charging at a cost of 39 cents per kWh for Blink members and at 49 cents per kWh for non-members. For consideration EWEB's residential rate is 9.148 cents per kWh and the medium general secondary electric service rate is 6.270 cents per kWh. Blink also retains 100% of the Oregon Clean Fuels credits it generates and 60% of the net profits from customer charging. The new EWEB-owned stations will provide free charging for EV owners and EVSE utilization will be evaluated after 1 year to see if any changes are needed, including the creation of a fee structure. Should EWEB choose to establish a fee, the utility would retain 95% of profits with 5% going to the station manufacturer, SemaConnect to cover credit card transaction fees.

Discussion

Providing free charging at EWEB-owned EVSE takes in to account various considerations, including the intent to increase EV adoption, the generation of Clean Fuels credits by the stations, the cost of supplying energy to these EVSE, and the revision of fees from other public level 2 operators.

The new EVSE were purchased through the Electrification Budget, which is in part funded by the monetization of Clean Fuels credits, whose intent is to support efforts that overall increase EV and electric mobility adoption. By providing access to free charging, EWEB is helping support and increase EV adoption. Groups with limited access to charging infrastructure, because of cost and investment barriers by building owners, such as individuals who reside in multifamily housing will also benefit from these stations and the access to free charging. Because these stations were purchased with moneys from the Clean Fuels credits, and the cost of the electricity will be offset by the generation

of additional Clean Fuels credits, other customers are not providing a subsidy for these charging stations.

One way the Clean Fuels Program allows for the generation of credits is through the reporting of kWh provided though public EVSE. Although the new EWEB EVSE do not have a fee, they will still generate Clean Fuels credits which will cover operational energy costs. The aim of these stations is not to recover asset investment costs, since those funds—as previously mentioned—were supported by the Clean Fuels Program.

The total operational cost of provided energy to these charging stations is approximately $0.076 per kWh and a similar rate at the HQ building. Clean Fuels credits generated by these stations would yield about $0.13 per kWh when considering recent EWEB sales of Clean Fuels credits. This means that at current market prices, the monetization of credits generated at these stations will cover their operational costs and bring additional revenue to further support EV efforts.

For additional reference, utility owned EVSE in the area, including the City of Ashland and Emerald People's Utility District have a charging fee of $0.00 and about $0.04 per kWh, respectively. Local government entities, including the City of Eugene and Lane County have a charging fee of $0.00 and $0.39 per kWh, respectively, plus a parking fee as applicable; Lane County is still evaluating their fee structure.

The stations will be available and visible to the public via applications such as PlugShare. Users will be able to see station availability in real time and plug their vehicles to begin charging without utilizing any method of payment. A fee structure is not necessary in this case, and one is not being added to the Appendix A of the Customer Service Policy.

Recommendation and Requested Board Action
Information only.

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

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TO:	Commissioners Schlossberg, Brown, Carlson, Barofsky and McRae
FROM:	Jason Heuser, Public Policy and Government Affairs Program Manager
DATE:	March 26, 2021
SUBJECT:	2021 State Legislative Session Update
OBJECTIVE:	Information Only

Issue
The 2021 State Legislative Session convened on January 21st. This memo is to apprise the Board of the status in the legislative process of issues key to EWEB's adopted 2021 legislative agenda and legislative principles. The legislature is now entering the period with deadlines for bills to advance out from their committee and chamber of origin, and the scope of bills under genuine consideration will be greatly reduced.

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 the status of key legislation of interest to EWEB:

<u>HB 2021 (previously HB 2995) – 100 Percent Clean Energy Standard – Recommendation: AMEND</u>

The future of Clean Energy legislation is very much up in the air at this juncture. HB 2995 has not received a hearing. A public hearing for HB 2021 was held on March 22, including discussion of multiple amendments, that each would have replaced HB 2021 almost in whole. A Dash -1 amendment, with emission-based goals for investor-owned utilities, would exempt consumer-owned utilities, including EWEB. Another hearing scheduled for March 31 may take up yet another Clean Energy Standard variant, HB 3180, similar to the Dash -3 amendment proposed for HB 2021, a REC-based approach that would also exempt consumer-owned utilities. The ad-hoc stakeholder group which EWEB has been participating in, has concluded its work without consensus on a policy framework. EWEB staff have continued to advocate across the suite of bills and amendments for an approach that comports with electric system reliability and resource adequacy and offers alternative compliance mechanisms like carbon offsets.

HB 2310 – Preemption of Local Authority on Water Pipe Materials – Recommendation: OPPOSE

HB 2310 is brought forward by the American Chemistry Council and would preempt local governments from enacting, adopting, or enforcing any ordinance, resolution, rule or other law that prohibits, restricts or limits an evaluation, comparison or use of pipe or piping materials for a water project.

Oregon's public drinking water and wastewater utilities have in some instances made restrictions on the use of piping materials for reasons as varied as: water conservation practices; leak detection and repair capabilities; natural disaster resiliency; pressurization concerns; asset management approaches to life-cycle costs; etc.

HB 2310 had public hearings on March 9 and 11. EWEB submitted testimony in opposition. The bill is not expected to advance.

HB 5010 – Adopted DOGAMI Budget – Recommendation: SUPPORT

Governor Kate Brown's proposed biennial budget would have reduced funding and positions at the Department of Geology and Mineral Industries (DOGAMI) and eliminate the agency in 2022, dissolving the agency's work into the Department of Environmental Quality (DEQ) and the Department of Land Conservation and Development.

EWEB staff submitted testimony about the importance of DOGAMI to post-fire McKenzie River recovery and conveying that a federal grant to pay for LiDAR work on the McKenzie had been denied by the US Geological Service due to the uncertainty about DOGAMI's future. The Ways and Means Natural Resources Subcommittee pledged after that hearing not to disassemble DOGAMI. On March 22nd the Full Joint Ways and Means Committee restored and approved DOGAMI's budget a normal base level.

SB 333 – Hydrogen Study – Recommendation: SUPPORT

EWEB staff testified before the Senate Energy and Environment Committee on February 11th in support of SB 333 a bill that would direct state agencies to study the potential of and benefits to Oregon from Renewable Hydrogen. The bill was approved out of committee unanimously on March 23rd and will go next to a Senate floor vote.

HB 3103 – Municipal Access to Federal Stored Water – Recommendation: SUPPORT

For over 30 years, municipal water providers in the Willamette Basin have been working with the U.S. Army Corps of Engineers, the Oregon Water Resources Department (OWRD), and other state agencies and stakeholders in the Basin to develop an integrated water resources management strategy to effectively plan for community water needs, agricultural irrigation needs, and endangered species protection. Significant progress has been made to reallocate the storage space in the 13 Willamette Basin Project reservoirs. This stored water is one of the few remaining water supplies to meet future needs within the basin.

Recently, this work led to Congressional approval of the Willamette Reallocation in the reauthorization of the Water Resources Development Act (WRDA) at the end of 2020. Now the state must implement a water right transaction called a "transfer" in order to access the stored

water for multiple beneficial uses. This "transfer" to a "multi-purpose" use is also a requirement to protect fish flows allocated for the Endangered Species Act.

OWRD recently determined they lacked statutory authority to accept and process character (type) of use transfer applications after decades of established practice. This issue came about as an unintended consequence of a legislative change in 1995 that changed water "right" to water "use." OWRD's determination eliminated a crucial administrative process needed for efficient and cost-effective transfers of water from one use to another. This leaves municipal water providers in the Willamette Basin, including EWEB, without a viable path to access stored water for future needs. HB 3103 clarifies that OWRD has the ability to resume accepting and processing applications to change the use of stored water. HB 3103 will allow municipal water providers to access critical stored water to meet future demands without purchasing a new water right.

EWEB staff testified in support of HB 3103 at a public hearing at the House Water Committee on March 8. Although the bill has some opposition from agriculture interests who demand that location (controversial) authority be addressed in tandem with character of use authority, HB 3103 has been scheduled for an April 8 work session.

<u>HB 5037 and HB 5038 – Oregon Watershed Enhancement Board (OWEB) Budget – Recommendation: SUPPORT</u>

EWEB staff testified at the Joint Ways and Means Natural Resources Subcommittee on March 24 in support of restoration of OWEB's base budget. OWEB is a lead agency in coordinating Oregon's response towards wildfire-affected watershed recovery. As the state receives clear guidance from the US Treasury Department and Office of Management and Budget, OWEB is expected to be a lead agency in disbursement of federal funding disbursed to Oregon through the $1.9 trillion American Rescue Plan. EWEB staff are in contact with OWEB staff about coordination between the state and local agencies when funding becomes available.

Recommendation/Requested Board Action
No action is requested at this time. This is a monthly informational update.