

EUGENE WATER & ELECTRIC BOARD  
WORK SESSION  
EWEB BOARD ROOM  
FEBRUARY 21, 2006  
6 P.M.

Commissioners present: Sandra Bishop, Mel Menegat, John Simpson, Patrick Lanning and Ron Farmer.

Others present: Randy Berggren, Dick Helgeson, Marty Douglass, Jim Origliosso, Jim Wiley, Ken Beeson, Tom Buckhouse, Scott Spettel, Jim Maloney, Terry Bequette, Brenda Sirois, Dick Varner, Mat Northway, John Yanov, Eric Hiaasen, and Krista Hince of the EWEB staff; Ruth Atcherson, City of Eugene Minutes Recorder.

President Bishop convened the Work Session of the Eugene Water & Electric Board (EWEB).

### **INTEGRATED ELECTRIC RESOURCE PLAN UPDATE**

Power Resources Division Director Dick Helgeson introduced the power point presentation on the *Integrated Electric Resource Plan Update*.

New Resource Project Manager Ken Beeson provided a brief overview of the *Eugene Water & Electric Board Integrated Electric Resource Strategy 2006 Implementation Plan*. He explained that it defined and prioritized the important activities that support the Integrated Electric Resource Plan. He said the series of action items listed on page 5 were the primary vehicle for implementation. He stated that staff intended to update the plan every year prior to the budget process.

Power Management & Planning Manager Scott Spettel applauded Mid-Term Trader Eric Hiaasen for his work on the backgrounder that explained the process by which the price forecast had been updated. He noted that some people asked how much the new resources would cost, but he felt a more accurate approach would be to consider how much these resources were worth. He said there was a high amount of uncertainty in the future of the costs of these resources.

Commissioner Simpson recalled that in the Integrated Electric Resource Plan (IERP) approved in 2004 there had been several “on and off ramps” that had been defined. He wondered if those on and off ramps were hard and specific items. Mr Spettel replied that they were neither hard nor fast nor were they extremely flexible. He said EWEB had a process wherein it would do an environmental scan and asking how it affected the plan. He characterized the current stance as still being on the “lost opportunity path.”

Mr. Helgeson noted that staff planned to conduct additional work later in the year to help understand whether or not there would be a power gap when EWEB’s contract for power allocation from the Bonneville Power Administration (BPA) expired in 2011.

Commissioner Farmer said when he read through the projections he found there to be many variables. He averred that eventually EWEB would have to choose “some assumption path.” When reviewing the projections, he had been unable to get a sense of what numbers staff would settle on and how far the numbers could be off before EWEB was “in trouble.”

Mr. Spettel responded that staff conducted extensive sensitivity analyses while evaluating resource contracts. Continuing, Mr. Spettel stated that he had included some of the current contract with the BPA in the backgrounder, specifically the portions that addressed new resources that had been brought on line during the current contract and whether they would be required to serve the load after 2011. He said at this point those resources would not be required to serve the load. He related that staff was monitoring a situation in Grant County whereby the BPA had indicated it wanted them to declare all of their newly relicensed hydroelectric projects. He explained that this was significant because EWEB currently bought “cheap power” from the utility and would be forced to obtain the power from somewhere else. He noted that the graph delineating *EWEB Projected Load-Resource Balance* assumed no loss of power from the Carmen-Smith facility.

Commissioner Farmer asked if this simply meant the power needs were growing faster than EWEB was acquiring new resources and conserving what it had. Mr. Spettel affirmed this. Commissioner Farmer asked if it was known what this meant in terms of dollars to the utility. Mr. Spettel responded that it had been incorporated in the ten year picture and also had developed scenarios addressing a loss of part of the BPA entitlement. He acknowledged that there was a range of financial implications around the set of projections.

Power Resources Director Dick Helgeson stated that this was information staff intended to bring forward in much greater detail in April.

Energy Resource Project Manager Jim Maloney said most of the material he intended to present was contained in the background memorandum he had sent to the Board entitled *Lost Opportunity Resources – Assessment and Recommendation*. He reminded everyone that EWEB was at least 78 percent dependent on hydroelectric power. He noted there had been a keen interest on the part of the IERP Work Group and other members of the community to reduce this dependency and diversify the resources. He said EWEB was not a “big fish in the pond” and could not make projects happen; rather EWEB was more likely to tag onto the projects of others. He reviewed some of the wind power projects and a geo-thermal energy project that were of interest to EWEB. He noted that he had visited five projects.

Mr. Maloney discussed the wind projects. He related that locating the projects in wheat fields had been found to be preferable to alfalfa fields as the bird population was less impacted. He stated that wind turbines were the world’s largest rotating machinery.

Mr. Maloney had also surveyed geothermal projects. He said the Raft River Geothermal project was slated to be constructed southeast of Burley, Idaho. He stated that the project would reduce the load on the BPA and it was possible for EWEB to tag onto this load. He likened it to virtual transmission from south central Idaho to this area. He noted that this was a verbal understanding at this point, but he was optimistic that it could be firmed.

Regarding credit issues and financial responsibility, Power Management & Planning Manager Scott Spettel wished to assure the Commissioners that any contracts with so-called Lost Opportunity Resources (LOR) would be set up so that if the resources did not “deliver” EWEB would not be required to pay anything.

Commissioner Simpson asked how the wind turbines impacted bird populations. Mr. Maloney replied that birds sometimes flew into the turbine blades and some birds had difficulty maneuvering around the guy wires holding meteorological towers. He said the industry was moving toward tubular steel towers for the permanent meteorological fixtures. He noted that he would be making a presentation on birds, bats, and wind turbines for the Lane County Audobon Society on February 28 if anyone wanted to attend.

In response to a question from Commissioner Simpson, Mr. Spettel explained that the contract with Grant County was innovative as they had said they wanted to serve their load but they did not mind keeping their BPA entitlement and selling power to EWEB at the BPA price. He felt this was a “pretty good deal” compared to not having this power. However, it appeared that the BPA wished for Grant County to declare all of the output from its projects and if this happened EWEB stood to lose a resource, but it would make EWEB eligible to get an entitlement for that power directly from the BPA. He added that if the latter happened EWEB would be slightly ahead because it would be paying for one less transmission.

Commissioner Farmer said most of the background memoranda were understandable but the financial considerations and whether this was a viable project or not seemed to be missing. He felt he was being asked to give support for a project that was deemed as ranking “number one” though he did not know what this ranking referred to financially. Mr. Maloney responded that the first and second ranked low priced resources, the PPM wind project and the geothermal project, were the first and second lowest lines on the graph and were both below market.

In response to a question from Commissioner Farmer, Mr. Maloney stated that the cost and benefit of the projects included the production tax credits but did not include the sales of “Green Tags,” which would provide a reduction in price of \$4 per megawatt hour. He said the production tax credit was included but would be gone if not used by 2007.

Mr. Maloney said, in response to a follow-up question from Commissioner Farmer that the production tax credit lasted ten years. He explained that the developers of these projects, who were generally the owners of these projects, would make use of that ten years of tax credit, approximately \$18 to \$19 per megawatt hour, and would take accelerated depreciation where they could. He said these projects were typically financed for about 15 years.

Commissioner Farmer said in looking at the solar projects, it seemed that many of them were being developed by private companies. He observed that such projects could not be undertaken without enhancements that came from taxpayers. He felt that the taxpayer dollars had greatly benefited those private developers. He wanted to know what the lost opportunity projects would have cost without such enhancements. Mr. Maloney responded that he could provide estimates as to what the projects would cost without things such as the production tax credit.

Mr. Spettel clarified that if the production tax credit was not renewed by Congress it would cost the developer at least \$18 per megawatt hour more for the first ten years and this would be reflected in the price that EWEB had to pay for the power. This would push EWEB above its medium price forecast.

In response to a question from President Bishop, Mr. Maloney related that he began by looking at between 20 and 30 possible resources and from them he had narrowed it down to eight for further review. From these eight, he had narrowed it to the three that he felt EWEB should negotiate with.

Mr. Spettel reviewed a graph entitled *How Much Lost Opportunity Resource Would \$1.5 Million Buy?* He conveyed the staff recommendation to proceed with contract negotiations with PPM Energy and U.S. Geothermal. Mr. Helgeson underscored that no action was being sought at the present time. The Board would be asked to consider the final contracts in June.

Commissioner Farmer asked why the rate case proposal spoke of “a 1.3 percent when you guys were talking about a 1.5 percent.” Mr. Helgeson replied that there was an assumption that a portion of it would relate back to the 5 percent revenue pledge for conservation and that some of it would go to the Contribution in Lieu of Tax (CILT) to the City. Mr. Maloney added that he thought EWEB would make this up by selling the “Green Tags.”

President Bishop adjourned the Work Session at 7:25 p.m.

---

Assistant Secretary

---

President