

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
NOVEMBER 7, 2006
5:30 P.M.

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

Others present: Randy Berggren, Dick Varner, Tom Buckhouse, Marty Douglass, Jim Maloney, Jim Origliosso, Dick Helgeson, Deborrah Brewer, Ken Beeson, Jim Wiley, Mat Northway, Tom Williams, Brenda Sirois, Roseanna McArthur, and Krista Hince of the EWEB staff; Kimberly Young, City of Eugene minutes recorder.

President Bishop convened the work session of the Eugene Water & Electric Board (EWEB) at 5:30 p.m.

WIND POWER/GREEN MARKETING

Key Account Representative Tom Williams joined Energy Management Services Manager Mat Northway for the presentation. Mr. Northway provided a PowerPoint presentation on EWEB's Wind Power Program to the Commissioners, who asked questions clarifying the information provided throughout the presentation. Mr. Northway briefly noted the history of the program and subscription rates between 1999-2000 and 1999-2005 and reported that the program was now fully subscribed and in 2007 there would be no more output to offer unless it became dramatically windier or customers dropped out, and EWEB would need to suspend new program sign-ups within the next few months. In addition, EWEB was not receiving as much off-setting tax credit for the product as anticipated. Mr. Northway recommended a fairly substantial rate adjustment in spring 2007 to ensure costs were covered.

Continuing, Mr. Northway briefly overviewed the evolution of the national green power industry. He described the use of federal Renewal Energy Credits (RECs), which recognized the environmental benefits of generated green power and which could be rebundled with retail electricity to make retail green power. He noted the national and local market for green power and RECs, and confirmed, in response to a question from Commissioner Simpson, that EWEB sold RECs and had RECs to sell. Mr. Northway compared EWEB wind power, which was bundled, to the green power of the 21st century, which was based on unbundled RECs.

Responding to a question from Commissioner Farmer about why people purchased green power, which is not necessarily a tangible commodity they could see or touch, Mr. Helgeson emphasized the strong demand for green power and customer support of new renewable supplies of energy. He said that customers were asking for green power and if the program was structured for additional investments in the area, he believed more customers would sign up. Mr. Maloney noted both the voluntary and compliance markets for green power.

Mr. Northway noted the current advantages and disadvantages of EWEB's wind power program, and went on to make a case for a new EWEB Green Power Program. He said that EWEB

would separate the delivery of the green attributes from its electric service and dedicate those revenues to future projects and the administration of the program. EWEB would be able to sell RECs to event promoters from outside the community, for example, to allow them to “green” their activity. Anyone could purchase EWEB RECs for what ever use they wished.

Mr. Northway reviewed existing and potential sources of green power.

Mr. Northway reviewed a preliminary design for a new Green Program and a timeline for program rollout that would allow for a product to be sold in January 2007.

Mr. Northway identified issues requiring board discussion, including the use of RECs as the basis for a Green Power Program, the use of the revenues from the program, the termination of wind power sign-ups, and the ultimate disposition of wind power.

Commissioner Simpson asked if the existing wind program would be removed from the mix. Mr. Northway said that EWEB was fully subscribed in regard to wind now, and he would not want new customers to sign up for wind if there were not enough. He suggested the two programs could co-exist for some time as he envisioned many customers would be interested in the Green Power Program and would migrate to it over time for the additional value and benefits. He confirmed, in response to a question from Commissioner Farmer, that the power would come from RECs and there would be additional production realized from new renewables. He agreed the new renewables would come on line in the absence of the RECs, but if EWEB was to sell RECs, he suggested they be sold at retail prices to customers who could use them locally than wholesale to people living elsewhere. Mr. Williams pointed out that wholesalers now buying those RECs from EWEB could turn around and market those RECs back to EWEB customers at a mark-up.

President Bishop questioned why EWEB would have a separate wind product if it offered a Green Energy Program, which would include wind, solar, and hydro. Mr. Northway said that was a question for the Board, but he would like to cease signups for the Wind Power Program and roll out the Green Power Program with the expectation that the spring cost increase could reduce the number of people in the Wind Power Program and encourage customer migration to the Green Power Program.

Commissioner Simpson noted the local nature of the existing program and emphasized his interest in retaining that. He supported the staff recommendation. He suggested that EWEB promote the program by tying it to its renewable projects. Mr. Northway concurred.

Commissioner Menegat expressed support for the staff recommendation, saying it represented where EWEB needed to be going in terms of the environment and its use of renewables. Regarding the disposition of the wind program, he was unsure about that and suggested he would take a “wait and see” attitude.

Commissioner Farmer supported revenues going to projects to realize more energy production. He expressed concern about the timing of the increase proposed for the wind program and its impact on demand. He was also concerned about the impact of tiered rates on a Green Power Program.

President Bishop supported the staff recommendation, saying it was a response to EWEB's customers. She believed the program needed an educational component if it moved forward.

BPA ALLOCATION UPDATE

Power Resource Division Director Dick Helgeson and Resource Planning Analyst Brenda Sirois provided a PowerPoint presentation to the Commissioners to quantify the amount of Tier 1 power EWEB may anticipate receiving from the Bonneville Power Administration (BPA) after its current Slice/Block contract with BPA expires in 2011. Ms. Sirois indicated that staff would keep refining the analysis and continue to be involved with the BPA in discussions. She suggested the time might be right to revisit the strategy tree.

Mr. Helgeson said currently EWEB was in a long position in regard to its BPA contract, and did not need to worry much about its load growth because of its fixed entitlement. EWEB was in a surplus position and was able to sell in the market. The analysis indicated to him that EWEB would not be able to retain that position in 2011. It was likely to be in a relatively balanced position, but there was still some uncertainty. He said that EWEB would be exposed to having to cover its incremental load growth, and would have to make some contingency plans around the Integrated Energy Resource Plan. He expected staff would return to the Commissioners soon with a discussion of where EWEB was in regard to the strategy tree.

Commissioner Farmer said that it was good to have a strategy tree but EWEB lacked funding to implement it. He needed to see the dollar impact of the numbers Ms. Sirois shared, and asked that information be quantified in terms of the bottom line, or lost revenues. Mr. Helgeson agreed, saying that the next step was to update the ten-year financial analysis to reflect the information. Ms. Sirois noted that there were additional uncertainties for EWEB to consider, such as BPA's post 2011 rates.

ROOSEVELT BUILDING PROJECT

Energy Resource Project Manager Ken Beeson updated the Commissioners on the Roosevelt Building Project using a PowerPoint presentation, noting no decisions were being requested of the Commissioners at the meeting.

General Manager Randy Berggren noted that the potential of a public vote was eliminated from the time line, which was a significant shift from past conversations. He wanted to acknowledge that, and ask the Commissioners to consider whether it wished to go forward with the URBA process versus the vote.

President Bishop asked about the difference in price from using the URBA process. Mr. Beeson estimated \$2 million to \$5 million. While President Bishop was concerned about public perception, she was also concerned about escalating construction costs, and suggested there might be a valid tradeoff for the Board to consider. Commissioner Simpson said that escalating construction costs was also a concern for him. He thought that information about cost savings should be conveyed to the City Council and the public if EWEB chose the URBA funding mechanism, which he preferred.

Commissioner Menegat said there were some things the Board was elected to do, such as provide safe and adequate facilities for EWEB workers. He felt comfortable proceeding with the URBA process, noting the demise of the Whole Foods project as a result of escalating construction costs.

Commissioner Farmer also supported the use of URBA.

President Bishop expressed support for the remarks of Commissioner Menegat, saying the Commissioners should do the right thing and let people know why. She thought it was likely that people would challenge the Commissioners' decision to use the URBA process as it could cost the ratepayers millions not to use it.

President Bishop requested a memorandum regarding the as-built costs for the modular buildings.

President Bishop requested information about the future of the Midgleys Building. Corporate Services Director Roseanna McArthur indicated that EWEB employees would be moving into the space for a year on a temporary basis. She said that EWEB had received no viable requests to lease the building.

President Bishop adjourned the meeting at 7:25 p.m.

Assistant Secretary

President