

EUGENE WATER & ELECTRIC BOARD  
WORK SESSION  
EWEB BOARD ROOM  
JUNE 19, 2007  
5:30 P.M.

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

Others Present: Randy Berggren, Tom Buckhouse, Debra Smith, Deborah Brewer, Marty Douglass, Steve Newcomb, Jim Maloney, Jason Heuser, Mat Northway, Scott Spettel, Jim Origliosso, Lance Robertson, Dave Koski, and Krista Hince of the EWEB staff; Ruth Atcherson, City of Eugene minutes recorder.

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

### **CLIMATE CHANGE POLICY**

Energy Resource Projects Manager Jim Maloney provided an overview of the Climate Change Policy. He and Environmental Manager Steve Newcomb were aided by a power point presentation entitled *Taking the Climate into Account*, copies of which were provided to those present. He noted that this was the first of “a few meetings” on this topic.

Mr. Newcomb discussed how the water utility would be affected by climate change as the precipitation patterns were predicted to change. Mr. Maloney covered the projected effects the climate change would have on the electric utility. He noted that the average temperature in the northwest was projected to increase by 3.1 degrees.

Vice President Simpson observed that the winters were predicted to have more days of sub-freezing weather in January and asked why that would be. Mr. Maloney replied that when there was more energy in the atmosphere “strange and weird things happen.” He said the atmosphere was trying to redistribute the energy in the ocean atmosphere system.

Mr. Maloney reviewed EWEB’s historical loads. He pointed out that though EWEB was still a “winter peaking utility” the amount of air conditioning being used in the summer was increasing. He summarized the impacts, predicting that loads could go down in the winter time with warmer weather and that loads would increase in the summer time because of energy used for cooling systems.

Mr. Maloney explained that mitigation largely focused on reduction of the output of greenhouse gasses. He noted that EWEB was ahead of the curve in this. He said EWEB and the community would have to find a way to adapt to the changes. He noted that Pacific Corp was dominated by coal-fired energy generation and put out approximately 2,000 pounds of CO<sup>2</sup> per megawatt hour (MWH). He lauded EWEB’s involvement in power generation facilities that did not generate greenhouse gasses. He underscored, however, that though EWEB was “really pretty good” it did not mean EWEB did not need to do anything. He added that if EWEB saved a megawatt hour

of power locally it would sell that power on the wholesale market.

Mr. Maloney showed a graph that delineated the capacity factors for the Stateline Wind Project in July 2006. He explained that EWEB's load was at its peak during a particularly hot spell but the heat caused there to be no wind. He stressed that this exemplified the importance of having a portfolio of power resources and not just vesting all of EWEB's interests in one generation format such as wind.

Mr. Maloney said no matter what we did locally or what climate policy EWEB ended up adopting, everyone needed to be aware that at present nationally 151 coal-fired generation plants were proposed. He noted that two of them had been planned for the State of Washington but he thought the plants were now dead, based on the last legislative session in which a new CO<sup>2</sup> standard had passed. He stressed the importance of encouraging utilities in other parts of the country to make better decisions. He believed that the construction of coal generation plants would ultimately become an astronomical financial liability. He averred that the United States would deal with climate change via a carbon tax or a cap and trade system.

Mr. Maloney pointed out the effects that higher temperatures would have. He cited salmon in particular, noting that it could be that all of the work for salmon restoration and riparian restoration would be for nothing. He said EWEB wanted to "head that one off at the pass" so that all of the millions of dollars spent in that endeavor would not have been "mis-invested."

Continuing, Mr. Maloney stated that most climate scientists think CO<sup>2</sup> levels would have to be reduced by 70 percent to really mitigate change in the longer term. He said there were five federal bills related to climate change, noting that the Sanders/Boxer and Henry Waxman proposals were like what Oregon had under consideration.

Mr. Maloney indicated that he and Mr. Newcomb would continue to hold this policy discussion with the Board. He said if a climate change policy was adopted it would have to be incorporated into work plans and the Integrated Energy Resource Portfolio (IERP) would have to be revisited and updated.

Mr. Newcomb observed that in the big picture it was hard to make an argument to do anything because even if EWEB eliminated all of its emissions it would not change global warming. He countered that in the "bigger picture" EWEB had always set an example for environmental concern and caring for the environment. He believed that EWEB's efforts demonstrated that EWEB continued to "live that." He said it also showed support for state, local, and federal efforts to get a climate change policy off the ground. He noted that at this point the local governments were ahead of the federal government. He quoted Mahatma Gandhi: "Be the change you want to see."

Mr. Newcomb reviewed the climate change policy components, mitigation and adaptation. He pointed out that Seattle City Light committed to buy greenhouse gas offsets, a form of mitigation,

because they decided the value of those offsets were really high at present as the cost was low and, with coming legislation, costs were bound to increase. He averred that EWEB needed to be resilient and to maintain the capacity to absorb change and function.

Mr. Newcomb reviewed the climate change policy components:

- Acknowledging climate change cause and effect;
- Reduce greenhouse gas emissions;
- Support education and research;
- And as a second step, develop objectives based on metrics and evaluation.

He underscored that EWEB had a history of being a leader in environmentalism. He wanted EWEB to maintain its position as an expert.

In response to a question from Commissioner Brown, Mr. Maloney stated that the federal bills had a spectrum of responses to those that were taking the steps to mitigate, but at the state level the current proposal was a cap and trade proposal and the utilities were on their own. He said even though EWEB was on the same declining curve as other utilities the absolute numbers of offsets it would have to acquire was a much smaller number. He elaborated, stating that EWEB would see its proportionate share but it already had its Demand Side Management (DSM) program geared up and had experience bringing renewable resources on and trading the renewable certificates. He thought the cap and trade proposal would affect the smaller public utilities more greatly than it would EWEB.

Commissioner Brown asked if EWEB needed to get “ahead of the curve” through lobbying efforts. Mr. Maloney responded that the recommendation that had come out of the renewable energy work had been “terrible” but EWEB had managed to fix “95 percent of it.” He said they wanted to make sure that the recommendations that came out of the Carbon Allocation Task Force were translated well and not poorly in the interim session.

Commissioner Lanning agreed with Commissioner Brown that EWEB needed to try to be fully engaged with what was happening at the state level. He supported having a policy to help guide staff’s work.

Vice President Simpson concurred. He felt it was important to consistently tie in with the past 20 years of effort. He wanted EWEB to continue being a leader in this area and supported acting locally and federally as much as possible. He opined that it was a shame that the federal government had not “stepped up to the plate.” He had looked over the EWEB policy Strategic Direction (SD) 15. He said he was more attracted to the details that Seattle City Light and the Snohomish Public Utility District (PUD) had in their policies. He thought as EWEB moved forward it might want to add “clear milestones and checkpoints” to its policy. He commended Mr. Maloney and Mr. Newcomb for the presentation.

Mr. Maloney said if Oregon moved ahead in 2008 and joined with Washington and California with their capital trade programs it would send a strong message. He pointed out that the west coast represented the fifth largest economy in the world. He underscored the importance of having utilities on board.

Mr. Newcomb acknowledged the board's emphasis on staying in contact with state and federal legislation.

Mr. Maloney thought the policy the Board would adopt should have strategic and tactical components.

President Menegat asked if any education efforts were envisioned for major customers and clients. Mr. Maloney replied that one of the things that Seattle City Light had done several years earlier was to set up a sort of "club" for its larger customers so that staff had been set up to be able to assist the customers to reduce their CO<sup>2</sup> emissions. He suggested that EWEB could undertake a similar effort.

Commissioner Lanning wondered at what point in the process would staff do the baseline work and come up with metrics. Mr. Newcomb replied that it would be helpful to have a commitment to a policy before looking into specific objectives.

Vice President Simpson indicated his support for a Climate Change Policy and for SD 15.

### **Renewable Portfolio Standards -- EWEB**

EWEB's Legislative Lobbyist Jason Heuser stated that there was a good chance that the legislative session would be over by the end of the week. He thought most of EWEB's issues had been resolved. He reported that Senate Bill (SB) 838-C had been signed into law by Governor Ted Kulongoski at the end of May. He had been present at the signing ceremony, which had been packed with people. He had been impressed by the number of people who were in attendance and how representative of a cross-section of Oregon they were. He related that Gov. Kulongoski had sought him out and shook his hand after the ceremony.

Mr. Heuser recounted the legislative process it had taken to put forth a bill that could pass. He related that in the final iteration of the bill there were three tiers of utilities. He said the middle tier, consisting of utilities that meet 1.5 to 3 percent of the state load, had been created for political reasons. It successfully garnered the 31 votes necessary to pass in the House and was ultimately passed 41:19. He noted that for EWEB not much would change as a result of the legislation.

Mr. Maloney stated that a key feature to EWEB's ability to comply with the RPS standard was the unlimited banking of Renewable Energy Certificates (RECs). He said EWEB had done a lot of things early on to get credit so it could bank RECs. He explained that one key distinction was that EWEB bought both electricity and certificates from projects such as the Klondike III wind project,

bundled them, and then placed the bundled REC in a bank. He related that there was a limitation in the law that dictated that unbundled RECs could only be utilized for up to 20 percent of compliance. Fortunately for EWEB the bundled RECs could remain in the bank for five or ten years. He predicted that this would end up saving EWEB “millions of dollars.”

Mr. Maloney related that what EWEB had not been able to get included in the bill was the ability to utilize a REC used for a retail program to comply with the standards. He predicted that EWEB would have “plenty of RECs” but it would have to manage how it allocated them. He did not feel EWEB had gotten any “meaningful participation” from the other consumer owned utilities in the state on the bill. He said they would have to offer a Green Power option but they basically had written themselves out of the bill until 2024 at which time he predicted they would have to “scramble” to comply.

Mr. Maloney clarified that hydroelectric electric generation had been recognized as a renewable resource and anything built after 1995 qualified. He said if a facility was built before 1995, it could be certified by the Low Impact Hydro Institute and would then qualify. Any upgrades completed since 1995, such as building additional generation, also qualified.

Continuing, Mr. Maloney stressed that the signing of the bill meant the work had only just begun. He said EWEB needed to “get in writing” the agreement that he had struck with the Oregon Department of Energy for how EWEB characterized its portfolio. He stated that the Western Generation Agency (WGA) contract for the Wauna Cogen project would need to be modified so that the RECs would be transferred to both EWEB and the Clatskanie Public Utility District (PUD). He noted that the contract at present was silent on the issue.

Mr. Maloney stated that EWEB also had to get its own qualifying renewable resources ready and registered with the Western Renewable Energy Generating Information System (West REGIS). He said EWEB would need to establish the strategy for handling the RECs – how many could be sold retail, banked, or sold wholesale? He reiterated the need to update the IERP given that the RPS had not been enacted when the IERP process had previously been undertaken. He related that the Board would establish an Alternative Compliance Payment (ACP). He explained that the Public Utility Commission (PUC) would charge the ACP for every MWH an investor-owned utility (IOU) was not in compliance and utilize the money to purchase renewable resources. He said the local boards of the consumer owned utilities were directed to establish an ACP and if EWEB did not comply it would “penalize itself.” He added that staff would develop a model for the ACP to bring before the Board for approval at a later date but he predicted that it would never be used.

Vice President Simpson asked if it would come before the Board annually. Mr. Maloney replied that it would not, but the IOUs would have to file a plan with the PUC on a biannual basis and a report about how they were doing on an annual basis.

In response to a question from Vice President Simpson, Mr. Maloney said 25 percent of the state total was provided by the smaller utilities, approximately 45 million MWH. He added that

EWEB represented approximately 6 percent of the state load.

Vice President Simpson asked for the definition of an electric service supplier. Mr. Maloney replied that under Oregon SB 1149, passed a few years earlier, competition had been opened up at the wholesale level for industrial or large customers.

President Menegat noted that at one time the utility had discussed letting individuals get RECs for their participation in the Green Program. He said they had also discussed a process by which the individuals could surrender the RECs back to EWEB. Mr. Maloney responded that it was not in the bill but that did not mean EWEB would not be able to bring it up during the rules process with the Oregon Department of Energy. He recalled that the Governor had been interested in having state agencies be able to return RECs to their serving utility so that the utilities could comply.

In closing, Mr. Heuser stated that staff was tracking the proposed federal RPS and had a copy of it provided to them by Senator Ron Wyden's office. He said it looked like it would keep everything the State of Oregon had included in its RPS intact but staff would monitor it closely nonetheless.

## **2008 STRATEGIC PLANNING UPDATE**

Debra Smith, Director of Employee, Community & Customer Services Division, presented the *2008 Draft Strategic Plan Summary*. She said it was intended to focus more on outcomes and objectives.

Commissioner Lanning asked if there were areas that staff felt needed further dialogue.

President Menegat thought they had covered the whole plan.

General Manager Randy Berggren recalled that the Board had discussed each of the items. He said most of the conversation was comprised of "means statements and ends statements."

Ms. Smith related that they had removed the item regarding risk, uncertainty planning, and research and development. She said the items that had been discussed more than any other regarding the affordability index, public information, customer and community expectations, and political relationships. She noted a new strategic priority that directed staff to provide better support for the Board's decision-making role.

Mr. Berggren had heard the Board express a desire for greater understanding of how the customers perceived decisions that were made, to the degree that staff could determine that perception.

Vice President Simpson felt it would be helpful to gain staff's perspective on customers' perceptions.

In response to a request for clarification from Vice President Simpson, Ms. Smith said the first strategic priority, related to the affordability index, might mean creating a process that would determine the impact of a decision on affordability. She noted they had discussed where EWEB fell relative to a group of comparable utilities, but the income level in those communities was not the same.

Vice President Simpson said it would be helpful to him if a standard matrix could be developed of typical energy usage for an array of customers, large and small, commercial and residential, so that the Board could use it as a reference point for financial decisions. He felt it would be akin to a real-life view of what a rate increase would cost a gas station or grocery store.

Commissioner Brown recalled that Commissioner Lanning had placed something on the chart that was related with being on the leading edge of technology. He explained that it had fallen off of the chart in Commissioner Lanning's absence when the Board had revisited the results of its strategic planning retreat because it had not been very well understood.

Ms. Smith commented that in the last version there had been an item on economic development but it seemed that the majority of the Board had not wanted to call it out as a priority. She noted that the strategic priority regarding water rights and the emergency supply progress was on a Board agenda for July.

Ms. Smith noted that the strategic priority related to the power supply portfolio had combined preparation for the post-2011 contract with the Bonneville Power Administration (BPA), the RPS, and climate change policy.

Ms. Smith clarified, in response to a question from Vice President Simpson, that staff was looking for the Board to affirm that staff had correctly assimilated its strategic priorities into the draft plan. She said they would work on how the priorities could be pursued.

Vice President Simpson asked if the priorities were all equal. Mr. Berggren replied that they had not yet discussed how priorities would be weighted.

Vice President Simpson stated that the draft captured his priorities well. Commissioner Brown concurred.

Commissioner Lanning observed that there would always be emerging issues. He felt the strategic plan reflected the Board's intent.

In response to a question from Commissioner Lanning, Ms. Smith affirmed that the Board would identify the target outcomes. She underscored that it was an iterative process.

President Menegat agreed that the draft reflected the Board's intent. He remembered that the

Board had discussed economic development and had opposed subsidizing it.

Ms. Smith agreed that how EWEB could support economic development efforts without subsidizing it would be one of the areas they would have to look at.

President Menegat adjourned the meeting at 7:02 p.m.

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Assistant Secretary

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President