

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
JULY 17, 2007
5:30 P.M.

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

Others present: Jim Wiley, Tom Buckhouse, Marty Douglass, Mat Northway, Lance Robertson, Dick Helgeson, Bob Lorenzen, Ken Beeson, John Yanov, Dick Varner, 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.

ENERGY CONSERVATION PLAN STRATEGY

Power Resource Division Director Dick Helgeson introduced the review of the *Energy Conservation Plan Strategy*, a power point presentation. He stressed that EWEB had a reputation for having an outstanding successful conservation program effort, which historically had produced 54 average megawatts over the last 25 years. He shared a graph that delineated EWEB's Demand Side Management (DSM) resources.

Commissioner Farmer observed that there had been a downward trend in the last six years. Mr. Helgeson responded that it was noteworthy that EWEB had experienced a dramatic drop several years previous to that six-year period. Energy Management Services Manager Mat Northway added that six years ago the public had an awareness of the energy crisis.

Energy Management Section Manager Bob Lorenzen pointed out that EWEB paid a higher incentive in 2002 because of the energy crisis. He stated that 2004 was a transition year for Weyerhaeuser as it was starting a new contract and had increased its DSM activity. He said EWEB was trying to increase DSM activity by 2.5 megawatts per year.

Mr. Helgeson shared a pie chart delineating the \$126 million in customer grants, loans, and rate credits and a graph of \$150 million in avoided wholesale costs associated with the investments. He stated that in the last 25 years EWEB had avoided paying \$150 million in Bonneville Power Administration (BPA) wholesale power costs. He underscored that DSM was the least cost option and was consistent with EWEB's values.

Mr. Northway provided an overview of the DSM planning process.

Mr. Lorenzen recalled that the Integrated Energy Resource Plan (IERP) process had recommended increasing the acquisition of DSM. He said as they had looked at the action item they were calling for they realized that they had not conducted a thorough assessment of what the resource potential was in Eugene. He said the process sought to find out, with 54 average megawatts installed, what they had done and what was left to do in regard to DSM. He related that in order to

get an outside review of the program EWEB hired a consultant with regular experience in doing this.

Mr. Lorenzen discussed the consultant's process, noting that the consultant EWEB hired had also undertaken a similar process for the Energy Trust of Oregon and after conducting the assessment of EWEB had been hired by Portland Gas & Electric (PGE). He said a test done in the early 1980s, called the Hood River Project, had taken out all of the barriers for weatherization in the Hood River area. He related that Pacific Power had run the program and had found that even when all of the work was arranged they were only able to get 85 percent.

Mr. Helgeson remarked that this was a way to recognize that regardless of how the programs were structured and how hard EWEB marketed them the technical potential, i.e. the 100 percent level, could not be reached.

In response to a question from Commissioner Farmer, Mr. Northway explained that "levelized annual utility cost" was made up of hundreds of small resources. Mr. Helgeson clarified that it was a traditional supply curve, which delineated the relationship of the quantity of the resources at or below a given price.

Mr. Lorenzen stated that using the levelized utility cost cutoff of 5.5 cents per kilowatt hour (KWH) the melded acquisition costs were 3.1 cents per KWH.

In response to a question from Commissioner Farmer, Mr. Lorenzen said the value to the utility of the DSM was represented by the 3.8 cents per KWH. Mr. Helgeson added that the value lay in the avoided power costs. He said savings were obtained in comparison to the costs of the measures and investments for obtaining those savings.

Vice President Simpson, referring to the graph of the *Supply Curve, Utility Cost*, asked if it was considered to be impossible to gain more than 80 technical average megawatts. Mr. Northway affirmed that this was the technical potential for the measures that were installed.

Mr. Lorenzen stated that historically the DSM resources had been 50 percent residential. He related that the utility was in its first year with the new Hynix Semiconductor, Incorporated contract. He said they had brought in an expert on electronics who had identified opportunities to be found in the facility and EWEB was starting to sign agreements with them about it.

Commissioner Farmer expressed some concern about relying on Hynix given its past precarious financial position.

Regarding the graph of *Commercial Sector Resource Potential*, Mr. Lorenzen stated that 40 percent of the projected resources did not exist at this time. He said new technology continued to come out. He related that EWEB had "pretty much hit the residential sector hard." He averred that any remaining weatherization opportunity lay in the rental market. He did not believe there was

much more to be gained in the *Residential Sector Resource Potential*.

In response to a question from Vice President Simpson, Mr. Lorenzen affirmed that there were some savings to be realized through the utilization of occupancy sensors in the commercial sector.

Mr. Lorenzen summarized the assessment findings. He underscored that the remaining DSM potential was nearly equal to what had been achieved to date.

Mr. Helgeson stated, regarding assessment tools, that traditionally staff had gone to places to assess them in person and now there were Web based tools for the application, tracking, and reporting of projects.

Commissioner Farmer observed that it would be a big job to shift the focus of DSM from residential to commercial. He pointed out that the “elephant in the room” was the unknown of what the Bonneville Power Administration (BPA) would do in the contract to be negotiated for 2011.

Mr. Northway acknowledged that what would happen pre- and post-2011 was a big issue.

ROOSEVELT PROJECT STATUS REVIEW

Roosevelt Project Manager Ken Beeson stated that he would return on July 24 to seek approval to reset the project budget for the Roosevelt Boulevard facility. He reported that \$80 million was now the base estimate. He said the project seemed to be an acceptable structure to house operations and engineering at the site. He reviewed the concept as it currently stood with a power point presentation. He related that the conceptual proposal was the first cut at what might happen at the site, though it had retained the yard and building design. He stressed that the goal of having a Leadership in Energy and Environmental Design (LEED) Gold certification had arisen from discussion with the Commissioners. He noted that he would return with information regarding the payback from conservation measures.

Mr. Beeson reported that EWEB had applied for permits with the Army Corps of Engineers (ACOE) and the Department of Environmental Quality (DEQ) in order to begin the initial work. He reviewed the proposed schedule for the project. He said the recommendation for July 24 was to revise the project budget and to authorize staff to proceed with the schematic design process.

Mr. Beeson concluded by saying that the operations facilities were outdated and needed to be replaced. He believed that staff had done its best to answer the questions about the cost estimate from the comparable standpoint and the community review standpoint. He conveyed staff’s feeling that they now had an estimate that was representative or the Board’s direction to find some economy and that could stand on its own in terms of sustainability and LEED certification.

President Menegat expressed his appreciation for all of the work the project team had done. He related that in his capacity as a member of the Building Advisory Team he had seen the process

develop through several versions of the budget and reviews of the requirements. He reiterated his support for the original design which he believed followed what "EWEB [was] about." He averred that EWEB had the opportunity to build in a way that would reduce environmental impacts to the site.

Commissioner Farmer said he was comfortable with what had been done to this point. He recalled that the majority of the Board had said they did not want the two alternatives. He stated that they needed to be backed up by "hard science," and also needed to be cost-effective and "meaningful." He believed that the Silver LEED standard needed to make fiscal sense. He remarked that if the project saved \$1 million through conservation but spent \$8 million to do so he would rather give the money to Mr. Northway and tell him to find some conservation savings. He wanted to come away from the process with unanimous support for the project. He averred that the City Council would be less likely to challenge the request for a Uniform Revenue Bond Act (URBA) process if there was not any division among the Board. He also wanted to be able to tell the business community that the project made sense.

Vice President Simpson said he would like to tell the environmental community that the original site proposal made sense and the "adders" to the project were "the right thing to do." He felt the world did not only "run on money," it ran on "perception, leadership, and example and innovation." He had been very satisfied with staff's work, the work of the project team, and the third party review. He believed it provided the results the Board needed to move forward. He reiterated his support for the original proposal though he was pleased with the cost reduction.

Vice President Simpson averred that the benefits of mitigating wetlands on site far outweighed wetland banking. He called it another way to show EWEB's leadership and commitment to the community. He believed that by managing stormwater runoff on site EWEB would set an example that the community was "famous for." He felt going with the wetland banking process would be a step backwards. He thought removing the berm and placing the building on the original site would provide for the greatest amount of flexibility. He also supported aiming for LEED Gold certification. He wanted to "shoot for a target" that was more than average. Additionally, he supported building a 50-year facility.

Commissioner Lanning thanked Mr. Beeson and staff for their work. He also wished to thank the three local parties that participated in the peer review of the project. He ascertained from Mr. Beeson that the feedback from that review was already beginning to be integrated into the project. He said as a Commissioner and as a community member he was excited to see a reduction to \$84 million. He indicated that he had supported the peer review in order to gain community support and Board consensus.

Mr. Beeson said Commissioner Brown had sent an email that indicated he was generally in support of where the proposal was at this point.

Commissioner Farmer recalled that the majority of the Board had expressed opposition to moving forward in specific areas. He averred that there had been specific recommendations as to what should come out to achieve the cost reduction.

In response to a question from Commissioner Farmer, Mr. Beeson affirmed that he had thanked the local parties that had participated in the peer review and noted that he intended to thank them again.

Commissioner Lanning said he had supported the cost reduction but he did not think he had been specific about how the cost savings should be achieved at past meetings.

Vice President Simpson remembered that he had supported the \$72 million budget in order to have the opportunity to see what could be built at that budget.

President Menegat adjourned the meeting at 7:24 p.m.

Assistant Secretary

President