



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD
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TO: Commissioners Farmer, Brown, Cassidy, Cunningham, and Ernst
FROM: Randy Berggren
DATE: April 29, 2009
SUBJECT: 2009 GM Goals- 1st Quarter Status Report

The 1st Quarter status of work on the Board adopted goals for the General Manager in 2009 are as follows:

Goal 1: Develop and refine adaptive water supply strategies to continue delivering safe, clean, and pleasant tasting water in an efficient, reliable manner for the next 100 years by pursuing viable options to (1) secure existing water rights and (2) develop an emergency supply capability from a separate water source.

- (a) Provide the Board a recommendation on whether and how to proceed with a McKenzie River Permit Extension application given the conditions set by Oregon Department of Water Resources September 1, 2009.
- (b) Negotiate renewals of existing wholesale water supply contracts with River Road Water District, Santa Clara Water District, and Willamette Water Company by Dec 31, 2009.
- (c) Provide the Board with a recommendation on proceeding with additional development priorities in partnership with Springfield Utility Board (SUB) on a potential Middle Fork Willamette River treatment plant above the confluence of the coast Fork by December 31, 2009.
- (d) Provide a status to the Board on the results of the Federal Storage Grant Project and provide strategy recommendations for proceeding with further assessment of key policy and technical issues from the grant study related to accessing water in Federal Storage Projects for development of a second source emergency supply capability on the Willamette River by April 1, 2009.
- (e) Provide the Board recommended policy areas for use in establishing a standard wholesale water supply contract for use in future regional wholesale water supply arrangements by July 1, 2009.

1st Quarter Results – Goal 1

- (a) EWEB staff has been active working with State agency staff to further understand the implications of moving forward with the water right permit extension application. We have been monitoring several important precedent setting decisions on other permit extension applications and have crafted a draft strategy plan relative to next steps in the process.

- (b) Contract discussions with Santa Clara Water District (SCWD) and River Road Water District (RRWD) have been initiated. Contract termination letters have been sent to both districts (letter also went to EWEB Board) and both parties have agreed to work toward a new negotiated wholesale supply contract this year.
- (c) Springfield Utility Board has hired a consultant to work with them in developing an update to their Water master plan. Within this planning process the consultant will be looking at the collaborative options for SUB in developing system capacity and redundancy using a partnership with EWEB as one of the defined options in the study.
- (d) Staff has continued regional awareness work around municipal access to Federal Storage water. In 2008 this work was advanced by a group of municipal water providers in the Southern Willamette Basin. Building from this work in 2008, EWEB has gained support through the Oregon Water Utilities Council (a state-wide group of municipal water providers) to support work determining if this option represents a viable approach in obtaining future water supplies.
- (e) Work is on schedule to provide an update on the policy discussion in the second quarter of 2009 regarding the development of a template wholesale contract for existing and future wholesale contracts.

Goal 2: Continue the Headquarters Master Plan process consistent with the approved Memorandum of Understanding (MOU) between EWEB and the City of Eugene. The following success measures will be used to evaluate progress on this goal:

- (a) Provide the Board a recommendation for approval to hire a consultant in support of the CAT and staff in developing a public involvement process and finalizing recommendations for a master plan proposal by April 1, 2009.
- (b) Develop and recommend to the Board for approval a public involvement process in support of developing a HQ master plan proposal by July 1, 2009.
- (c) Provide the Board a set of draft Master Plan concept elements for review and refinement by September 1, 2009.
- (d) Submit to the Board for approval a Riverfront Master Plan and a Metro Plan Amendment and Land Use Application for review by November 1, 2009.
- (e) Submit a Metro Plan Amendment and Land Use Application for Board approval by December 31, 2009.

1ST Quarter Results – Goal 2

- (a) Held interviews of the five consultant team finalists on January 5, 2009 and the Community advisory Team selected their preferred Consultant on January 9, 2009. During the remainder of January and into February the CAT worked with the consultant to develop a scope of work and then negotiated a contract through the remainder of February and into March 2009 including a not to exceed contract amount. The CAT and Mark Oberle presented the status of work and recommendations from the CAT to the Board on April 21, 2009 and are currently scheduled to seek Board approval on the CAT recommendations on May 19, 2009.

(b) This item was accomplished under Item a above as a part of continuing efforts to reach a satisfactory contract amount which required identifying the public process to used for the creation of the public input portion of the Master plan work.

(c) – Pending

(d) – Pending

(e) – Pending

Goal 3: Conduct a comprehensive assessment of the cost to reconfigure the existing HQ building once in a split operation is in place and the alternative cost to relocate HQ functions to the new Roosevelt facility. Provide the board recommendations about the whether to remodel the existing HQ building or relocate remaining HQ functions to the Roosevelt site. Measures of success for this work in 2009 would be as follows:

a) Provide the board initial estimates of costs to remodel the existing HQ building considering both short term and long term upgrade requirements to maintain functionality and value as well as estimates of cost to maintain a split operation using the existing HQ site. Additionally, initial cost estimates will be provided for constructing a new HQ facility at the Roosevelt site. These initial views will be available by May 1, 2009.

b) Refine preliminary estimates of costs for both the stay and relocate alternatives of the HQ facility incorporating board review and direction. Provide the Board final estimates of alternative costs and a staff recommendation on whether to relocate all facilities to the Roosevelt facility and if so, when to make the relocation by July 1, 2009.

c) Board action on a specific motion directing staff as to whether to provide for relocation of the HQ facility and if so, when to implement such a relocation by September 1, 2009.

1st Quarter Results – Goal 3

(a) In January of 2009 the Board Agreed to a staff proposal to complete a concept-level analysis comparing two alternatives: 1) Remodel the existing HQ and 2) Build a new HQ at the Roosevelt operations Center. The analysis is expected to cost \$ 80,000 and will provides concept level estimate and analysis of costs associated with these two alternatives. Work developing the parameters of the analysis and assumptions (remodel and new building) that could support preliminary cost estimates was completed in February and March 2009. This work included architectural, engineering, and construction consultants engaged for the work; various EWEB staff; and two Board members. The work continues and the preliminary analysis is still expected to be complete in May, 2009.

(b) - Pending

(c) – Pending

Goal 4: Initiate the implementation of the approved Steam Transition Plan. This would be the first year of a planned three to five year managed shut down of the Steam Utility and proposed measures of success for 2009 would be as follows:

- (a) Complete a study of the remaining 78 customer facilities on the steam system along with estimated cost to convert to alternate fuels. This work will include an RFP for engineering consultant support to complete the technical analysis and support on-going work with the ODOE to develop an implementation plan for construction and funding in 2010 to 2013. This item will be completed by December 31, 2009.
- (b) Finalize and receive Board approval of a minimum three-year service contract for steam service to the Sacred Heart/University District Facility by April 1, 2009.
- (c) Provide the Board a recommendation for replacing the steam system inter-tie between the U of O and EWEB that needs to be removed due to a development conflict within the Riverfront Research Park by July 1, 2009. Absent a recommendation to replace staff it will provide an alternative recommendation to insure cost effective transition in production costs.
- (d) Secure a formal commitment from the ODOE SSELF funding to retire the EWEB District Heating System (includes individual customer funding for fuel conversion) by December 31, 2009,
- (e) Provide the Board recommendations on other funding options at the federal and state level as available for the 2010 to 2012 time frame by September 1, 2009.

1st Quarter Results – Goal 4

- (a) Since the Board adopted Resolution No 845, staff has been communicating with Northwest natural Gas staff and all steam customers. Staff has also been working closely with some of the definitive conversion plans, and following the progress of two larger buildings currently in the process of converting on their own. Much of the conversion discussions and activity is taking place at the core of the system, especially the large public buildings seeking federal stimulus funds. In anticipation of these conversions, staff is in the process of identifying those segments of the steam lines toward the perimeter of the system to take out of service first. Once these segments are confirmed, we will be targeting those customers with load offers to convert. While we intend to compete for and pursue all funding avenues to offset EWEB's steam system decommissioning costs, we need to address several critical steam lines before the heating season.

The "Request for Proposals" (RFP) written to implement the RD&D project referenced in item d below will be released in the next couple weeks. We cannot wait for ODOE approval of the application much beyond mid-May, as we need to start addressing buildings served on critical sections of the steam system before the next heating season.

- (b) Staff was successful in reaching an agreement with Peacehealth to continue purchasing steam from the steam utility for three more years. This agreement has been executed.
- (c) Work and discussion with the U of O on the disposition of the existing steam line in the Riverfront Research Park is continuing.

- (d) A funding application was prepared and submitted to the Oregon department of energy in the form of a Business Energy Tax credit/Research, Demonstration and development (RD&D) project. The application, submitted January 16, 2009 requests funding for the initial engineering study phase. The purpose of the study is to pre-qualify all the buildings served by steam as a single project under state of Oregon's Small Scale Energy Loan Program (SELP), thereby making EWEB's downtown steam customers eligible for a low interest loan of up to \$20 million. The outcome of the ODOE's policy review committee should happen within the next couple weeks (mid-May). Originally, we anticipated \$ 100,000 in ODOE funding, but remain uncertain, and as a fall back, included the study costs in our federal stimulus proposal. Federal stimulus has been a primary focus of activity, with April 15 and May 12 proposal deadlines under the State Energy Program and a large volume of projects competing for funding statewide.
- (e) Additional work on identifying additional funding sources has continued. The American Reinvestment and Recovery Act of 2009 has been a primary focus recently. Staff worked closely with all local public agencies to prepare and coordinate our respective submittals: Those were as follows:
1. State Energy Program(SEP) – As per public buildings eligibility requirement, the following buildings were submitted under a \$ 5 million proposal titled the “Downtown Energy Efficiency Project” : U of O Baker Building, LCOG Building , Lane County Building , EWEB Headquarters Building and two U of O student housing facilities served by EWEB steam(Riley & Barnhart).
 2. Energy Efficiency Block Grants: The City of Eugene received an allocated share of \$ 1,485,800 from ODOE, and intends to apply \$ 500,000 toward their steam conversion projects at four of their buildings (Atrium Building , Hult Center, and Parade / Overpark Buildings). **Goal 4:** Initiate the implementation of the approved Steam Transition Plan. This would be the first year of a planned three to five year managed shut down of the Steam Utility and proposed measures of success for 2009 would be as follows:

GM Goal 5: Cost Reduction Opportunities - Note – This goal was originally identified as continuing effort to find cost saving efforts utilizing employees when possible and tying work to a sustainable operation over time. However, in early 1st quarter continuing reductions in the moisture content for hydro operations, significant retail load loss resulting from the economy and substantial downward movement of the energy spot market began to create both short term and longer term concerns about revenue expectations and funding capability of various initiatives into the future. During the March, 2009 Board strategic planning retreat staff briefed the board on the developing issues and committed to returning in the July Board retreat on 2010 Budget and financial planning. In response to these developing issues I am proposing a modification of these goals as reflected below to allow a very specific focus on budget management in 2009 and through 2010 and 2011.

Goal 5 Proposed- Revised - Identify and develop necessary 2009 budget revisions to allow EWEB electric utility to be able to address various issues of lost revenue related to the weather and the economy. Review and propose revised long term financial planning assumptions given the current economic conditions and provide the board recommendations on long term financial plans and priorities so as to effectively stabilize EWEB work and funding capability over to bridge the current economic recession.

- (a) Provide the Board an overview of the developing economic downturn and initial strategies to begin addressing revenue and expense constraints in 2009 and beyond in the 1st quarter of 2009
 - (b) Provide the Board with a set of recommendations and assumptions for redeployment of resources and work reductions that allow the utility to meet it's highest priorities and obligations while being maintaining financial/rate stability in the second quarter 2009.
 - (c) Implement necessary budget reductions in 2009 to establish the foundation for revision to 10 year financial plans including critical assumptions and work priorities for 2010 and beyond as soon as reasonable with a goal of eliminating need for EWEB rate increases in 2010 and 2011 except for BPA rate action pass through.
 - (d) Update all long term financial and capital planning studys consistent with the presentation of a 2010 budget proposal that meets established board direction for managing the electric utility cash flow constraints that have been identified to date.
- GM Goal 5: Cost Reduction Opportunities

1st Quarter results – Goal 5 Revised

- (a) Staff met with the Board in the March 2009 Strategic Planning Retreat to provide developing information about deteriorating financial conditions. The General Manager and staff provided a sense of direction for trying to bridge the current view of a cash flow problems resulting from lost load and diminishing wholesale revenues. A commitment was made to update various short term and long term studies including a review of all critical assumptions and a revisit of all electric utility priorities to establish the critical work of the utility and insure that both critical work continued and that a strategy for bridging the current economic crises was developed. A commitment was made to return to the Board's July 2009 Board budget retreat to provide an overview of work performed and set of recommendations for proceeding with a developed strategy.
- (b) Work is in progress reviewing all budgeted work for 2009 and setting priorities for budget reductions. The current target is to reduce the approved 2009 budget by \$ 2 million net and in so doing to reallocate another \$ 1.5 million from current budgeted work to other higher priorities that have been recently identified. Initial budget reduction goals pending development of new planning assumptions is to reduce the 2010 expense requirement by \$ 4 million and the 2011 expense requirement by another \$ 4 million resulting in the eliminations of need for a currently planed 3 % rate action previously identified in 2011.

- (c) – Pending
- (d) - Pending



• **MEMORANDUM**

EUGENE WATER & ELECTRIC BOARD
EMPLOYEE, CUSTOMER and COMMUNITY SERVICES

Rely on us.

TO: Commissioners Farmer, Brown, Cassidy, Cunningham and Ernst
FROM: Sheila Crawford
DATE: April 28, 2007
SUBJECT: First Quarter EWEB Performance Metric Report

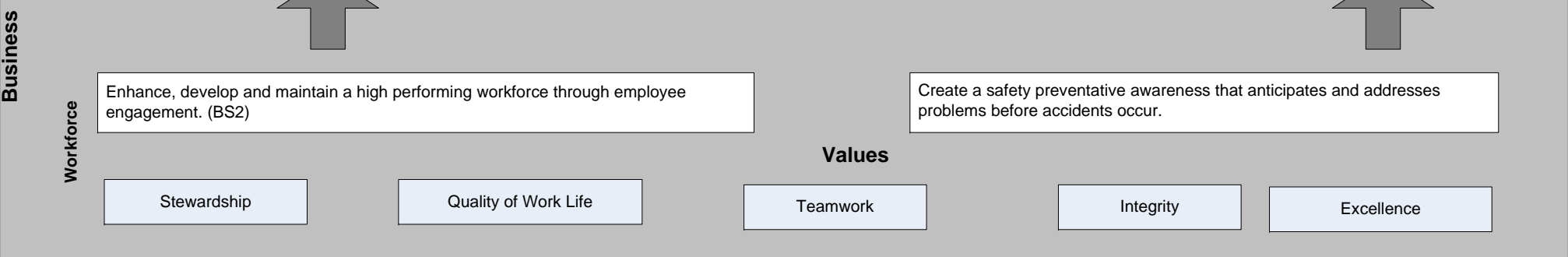
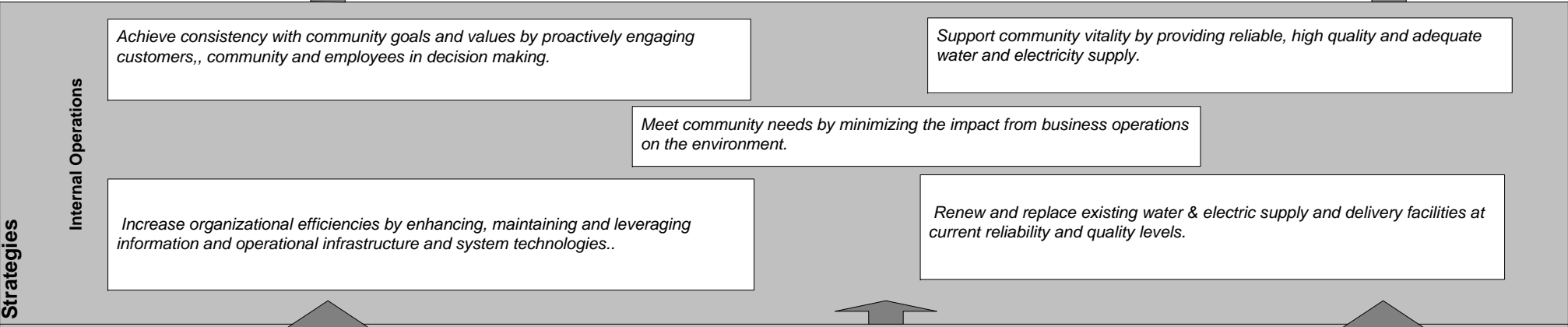
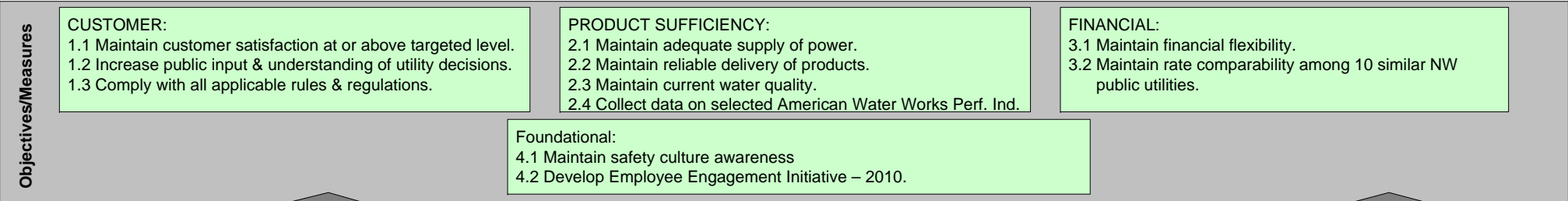
Issue Statement:

Attached you will find a summary of the EWEB Performance Metrics – First Quarter Report. Please note the new format style that groups performance measures by the following perspectives: customer and community responsiveness; product affordability; product sufficiency; and organizational/foundational. This report links to the organizational strategy map presented to the Board at the strategic planning workshop and which is included in the attachments. Although many of the measures are the same as last year, some have been added that more accurately reflect the business strategies we have engaged to address strategic issues. Descriptive definition for each of the measures has been placed on the back of the report.

MISSION: To be an Outstanding Provider of Energy and Water Products that meet Customer Needs and Benefit the Citizens of Eugene.

VISION: To Be the Best Community Owned Water & Electric Utility in the Nation.

EWEB Corporate Strategy Map - Organizational Planning & Performance Final Document



Eugene Water & Electric Board Organizational Performance Metrics

Measure	2009 (Prorated if appropriate)	2009 Results As of 3-31-09	Comments
CUSTOMER & COMMUNITY RESPONSIVENESS			
Customer Satisfaction Surveys Benchmark Survey (annual)	Mean average of 8.0	-	Will report results in Q1 2010
Increase Public Input & Understanding Apply IAP2 (APPA) Standard to complex or public issues Certify one staff member (annual)	As appropriate 1	Spring Blvd Seneca Project Riverfront M.Plan -	Met intent of IAP2 process Met by 12-31-09
Rule & Regulatory Compliance	Regular monitoring activity	-	Report on exception basis
PRODUCT AFFORDABILITY			
Maintain Financial Flexibility Above Average Credit Rating Debt Service Ratio C.M. Target (> fixed costs)	3 Agencies > A1 2.5X or > \$106M	Met 3.725 \$105.5M	Better than target Better than target Slightly less than target
PRODUCT SUFFICIENCY (Quality/Quantity)			
Maintain an Adequate Supply of Power Power Unit Cost Wholesale Sales Margin Generation Availability Annual Conservation Acquired	\$26.06 \$4.135M 93.8% 2.01 aMW	\$28.08 \$1.114M 94.8% .043aMW	Worse than target Better than target Better than target At prorated target
Maintain Reliable Delivery of Product Electric SAIFI Electric CAIDI Water SAIFI Water CAIDI Turbidity Chlorine Residual PH	0.5/13 140 min. 0.051 120 min. 95% of daily values fall at or below .036. 95% of daily values between .60 - .70 MG/l. 95% of daily values between 7.7 - 8.1.	0.10 120 min. 0.0015 54.44 min. 99% 98% 100%	Better than target Better than target Better than target Better than target Better than target Better than target Better than target
ORGANIZATIONAL/FOUNDATIONAL			
Maintain Safety Culture Awareness # of OSHA Recordable Incidents # of Work Days Lost to Accidents	34 143	5 21	Better than target Better than target

Revised 5-5-09

Note: Measure descriptions on reverse side

What the Measures Mean

Customer Satisfaction Surveys

Measures overall satisfaction mean score out of a possible rating of 10.

Increase Public Input & Understanding

Tracks the use of a process referred to as the International Association for Public Participation (IAP2) for evaluating internal utility issues that impact customers or community members.

The process sets forth a problem solving methodology that includes all aspects of communicating ideas, identifying problems, developing alternatives and making decisions to be used depending on the level and complexity of the issue.

Rules & Regulatory Compliance

Tracks all regulatory compliance, and provides ongoing reporting mechanism to notify Board regarding noncompliance.

Maintain Financial Flexibility

- Above Average Credit Rating: Evaluations of creditworthiness performed by the major credit rating agencies.
- Debt Service Ratio: Ratio of net revenues available for debt service for the year. This ratio measures the utility's ability to meet its annual long-term debt obligation.
- Contribution Margin Target: Variable revenues and operating expenses of the Electric Utility are managed to produce some contribution amount to fixed costs.

Maintain an Adequate Supply of Power

- Power Unit Cost: Unit cost of contract resources plus wholesale purchases minus wholesale revenue
- Wholesale Sales Margin: Power purchases, sales and transmission costs
- Generation Availability:
- Annual Conservation Acquired: Represents the annual & monthly proration of planned resource acquisition targets in aMW.

Maintain Reliable Delivery of Product

- Electric SAIFI: The SAIFI index is an industry standard measurement of electrical outages and stands for System Average Interruption Frequency Index. The index represents the average number of times that a customer experiences sustained electrical outages on the utility's system.
- Electric CAIDI: The CAIDI index is an industry standard measurement of the average length of time, in hours, that was required to restore service to customers, and stands for Customer Average Interruption Duration Index.
- Water SAIFI: The SAIFI index is an industry standard measurement of water interruptions and stands for System Average Interruption Frequency Index. The index represents the average number of times that a customer experiences sustained water interruptions on the utility's system.
- Water CAIDI: The CAIDI index is an industry standard measurement of the average length of time, in hours, that was required to restore service to customers, and stands for Customer Average Interruption Duration Index.
- Turbidity: Indicator of overall treatment success of filtration at the treatment plant as well as an indicator of clean piping/facilities in the distribution system.
- Chlorine Residual: Measurement to ensure disinfectant protection of water in the EWEB distribution system. Note: mg/l = milligrams per liter or one part per million, corresponds to one minute in two years or a single penny in \$10,000.
- PH: Measurement used as a proxy to indicate the corrosivity or corrosive stability of EWEB's water. Ensures lead or copper are not leaching into drinking water as well as monitoring the pipeline infrastructure for internal corrosion.

Maintain Safety Culture Awareness

Self explanatory