



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Cunningham, Cassidy, Ernst and Farmer  
FROM: Clay Norris and Debra Smith  
DATE: January 12, 2010  
SUBJECT: Energy Stewardship Policy

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## **Issue Statement:**

EWEB's electric resource objectives have not been recently updated and lack integration with recent strategic initiatives including the corporate wide strategy mapping, balanced score card implementation and global reporting initiative. Assuming we maintain our conservation strategy, we expect to be "long" (our available firm resources exceed projected demand), but we will ultimately need Board direction to guide potential resource acquisitions, set demand side management acquisition targets and review risk management policies.

Our long position provides a unique opportunity as we look ahead to the BPA post-2011 resource environment. The lack of urgency will allow us to move to a broader perspective and involve the Board at a policy level, in support of EWEB's organizational strategy map.

At your January 19, 2009 Board meeting, we will be talking with you about what that work could look like over the next six to twelve months and how the Board and community could help establish the foundation for EWEB's energy future.

## **Background:**

Integrated energy resource planning (IERP) is a planning process used by electric utilities that evaluates different options for meeting future electricity demand (load) and selects the optimal mix of resources that minimizes cost while meeting reliability needs and other stated objectives. At EWEB, managing the environmental impacts of our operations has been a long standing objective. Specifically the objectives adopted by the Board in the 2004 resource planning process are:

- Responsiveness to customers and owners
- Demonstrated environmental stewardship
- Long term vision within the near-term decision context
- Continued progress toward a sustainable energy future
  - Systematically increase the portion of our energy supply portfolio made up of sustainable resources by at least meeting our projected system load growth with new renewable and demand-side resources

- Systematically reduce the environmental impacts associated with the remainder of our supply portfolio and seek opportunities to leverage development of additional sustainable resources
- Flexibility and diversity in the power supply portfolio

Traditional IERPs make substantial use of computer-generated load and price forecasts as well as new resource costs and estimates of conservation and demand-side cost and acquisition potential. The data is input to a complex model which simulates the utility's "system". Uncertainty is introduced and the emerging strategies are tested for their degree of applicability and robustness under varying conditions.

Integrated Energy Resource Plans often include public involvement which requires a level of technical understanding that can challenge the lay participant. As a result, community participants are often folks with some connection to the energy industry, albeit the connection may be peripheral. At EWEB, we have typically had one or more Board members engaged in the technical planning process and functioning as a liaison back to the full Board.

Each time that EWEB has engaged the Board and community in resource planning, the same priorities for new resource acquisition resulted:

1. All cost-effective conservation
2. Renewable resources
3. High efficiency cogeneration (most commonly natural gas)

The last completed IERP was adopted by the Board in 2004 and it is common to refresh the planning document every five to seven years, and to hold a 20-year planning horizon. In early 2009, we began a traditional IERP process but budget cuts and impending leadership changes in the Power Resources Division caused us to defer the project until 2010.

As we've engaged in discussions needed to get the project re-started, we've come to the realization that with our long position and new issues facing utilities on the horizon, we have a unique opportunity to approach resource planning differently at EWEB. We intend to discuss that opportunity with you on January 19<sup>th</sup>.

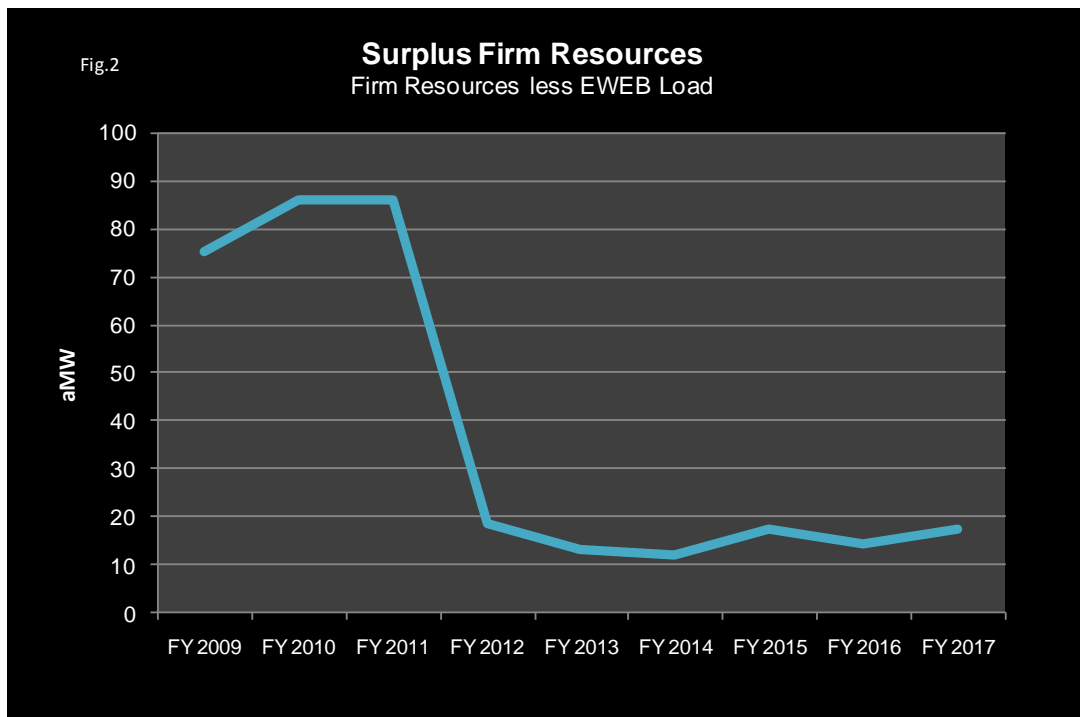
## **Discussion:**

### Resource Balance

The underlying reason for a utility to engage in resource planning is to ensure an adequate supply of product given assumptions about future load.

In September 2009 staff presented information to the Board about the Bonneville Tier 2 decision and whether EWEB would need that resource during the coming planning period. The staff recommendation that was ultimately approved by the Board in October was to forgo the opportunity to buy Tier 2 power for the initial three year period. The following chart shows that on an average annual basis EWEB will not need to acquire new

resources through the fall of 2014 (the end of the initial three-year period beginning October, 2011.)



Staff is currently in the process of updating load and resource information, which may change the results from this earlier analysis. However, we do not expect that when these updates are completed, the new portfolio balance will look significantly different from the view provided above.

### Policy Development

In recent discussions with the Board about policy development, at least one Commissioner expressed the belief that a primary driver for policy development is to facilitate and support execution of the organization's strategic plan. A copy of EWEB's 2010 Strategy Map is attached to this memo.

Three of the organization's seven business strategies are highlighted (two in purple, one in pink). Staff believes that policy direction from the Board would significantly enhance the efforts underway in each of these areas. We believe there's an opportunity to develop an Energy Stewardship Policy that will become the basis for future operational work under each of the business strategies, including the development of a traditional Integrated Energy Resource Plan.

Our intent would be to focus the Board initially, and the community down the road, on the high level policy objectives needed to drive organizational priorities and strategy development. Once in place, staff will use technical analysis and other tools to develop actual resource scenarios. Although that work would be reviewed with the Board, theoretically, it would be the domain of technical staff with policy direction from the board.

At the January 19<sup>th</sup> work session we intend to cover three areas. First we'll provide some real time examples of scenarios where Board policy direction about our energy future could provide significant benefit to staff. The examples are designed to get you thinking about the opportunities available and the kinds of questions currently under discussion.

Secondly, we'll provide some examples of what an Energy Stewardship Policy could look like. We want to be responsive to your needs and aware of the time commitment required to be successful, and so we're looking for your input about the end product of our work.

Lastly, we'll talk about next steps and how we plan to resource this work.

**Recommendation:**

The staff recommendation is to engage the Board in policy development work around Energy Stewardship in lieu of the traditional IERP process. The technical analysis associated with resource planning will be engaged by staff, following the policy development phase. Once adopted, the Energy Stewardship Policy will guide operational decisions around resource acquisition priorities, capital planning and program initiatives, while assisting the Board in strategic alignment of EWEB's investments and programs with agreed upon long-term goals.

**Requested Action:**

There is no action requested at this time.

If you have questions, please call Debra at 685-7196 or Clay at 685-7106.