



Eugene Water & Electric Board

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September 28, 2010

Dear Steam Customers,

As we move into the 2010-2011 heating season, I wanted to update you and other stakeholders regarding the progress of the Steam Utility transition and urge those of you who have not yet started the conversion process to begin as soon as possible.

The good news is that 20 percent of our steam customer buildings (15 out of 58) have transitioned off the system so far this year and are poised for lower energy bills this winter. In terms of the number of steam-reliant buildings, we are now down to 43 buildings that have made the conversion to high-efficiency electric or natural gas, not counting PeaceHealth's Hilyard campus. But with only about 20 months left before the planned steam plant shut down (June 2012), it is clear we have a long way to go.

By now, all steam customers have received a building-specific engineering study from EWEB's contractor, McKinstry. Each report includes an assessment of the requirements and conversion costs of transitioning to alternative heating fuels. The reports also include individually tailored menus that prioritize energy-efficiency measures and cost-saving opportunities.

Perhaps most importantly, each McKinstry report includes a least-cost financial analysis, an alternate financial option, as well as details for possible incentives and tax credits. The package also includes applications for the state Small Energy Loan Program (SELP) and the state Business Energy Tax Credit (BETC). All the information required to complete the forms is included in the report. Kathy Estes (503-378-5048), loan officer with the Oregon Department of Energy, is standing by to assist you with your loan application. Where building owners are not eligible for an ODOE loan due to credit or project eligibility limitations, EWEB is standing by to assist you with a separate loan fund.

For those building owners who have yet to act on their building reports, we at EWEB realize this is a difficult time to capitalize a conversion from steam. However, it is important that you understand that as more steam customers transition to electric or natural gas, costs for the remaining steam customer base will increase. This fall, we are expecting steam costs to increase by about 25 percent, primarily as a result of a shrinking customer base and EWEB's requirement that the Electric Utility not subsidize water or steam customers.

In addition to rising utility costs, you should be aware that the state's Business Energy Tax Credit sunsets in June 2012. In order to obtain the BETC, which provides up to 35 percent of the above-code portion of the project cost spread over five years, the project must be certified by the ODOE before the sunset date. EWEB has worked closely with ODOE officials, who have already received all 58 steam building reports, in hopes that steam customers would be positioned to take advantage of the rapidly closing window for ODOE to acknowledge tax credit applications. Based on comments from steam building owners so far, we urge you to act now. The state of Oregon is undergoing a significant financial crisis and we are hearing about significant delays in the application review and approval process.

To help you move forward with your conversion, EWEB has established the Steam Conversion Professionals Network, which can be found at www.eweb.org/steam/list. The list includes names and contact information for contractors, engineering and design consultants, financing and other programs. While this is a difficult time for some to find financing for steam transition, the slow economy means contractors are eager for work. As the economy improves, we expect bid prices to increase and contractor availability to become more limited.

The Energy Trust of Oregon (ETO) is also a participating organization on the Steam Conversion Professionals Network. Contact Lyn Schmidt at 503-224-4751. She is standing by to assist you with ETO's incentive application. Like ODOE, the Trust is working with EWEB and is prepared to work directly with steam building owners.

Along with the details already provided here and in your interactions with EWEB's Key Accounts staff, please don't hesitate to contact Steve Mangan (541.685.7376), Tom Williams (541.685.7160) or Mike Logan (541.685.7108) if you have any questions or concerns.

Sincerely,

Roger Gray
General Manager