



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Mel Damewood, Engineering Manager and Brad Taylor, Water Operations Manager
DATE: February 6, 2015
SUBJECT: 2015 Water Policies and Procedures Update
OBJECTIVE: Information Only

Issue

EWEB Staff has conducted its annual review of our Customer Service Policies and Procedures for Water. A diverse stakeholder group thoroughly reviewed and updated the documents in order to better communicate with customers.

Background

Every year, EWEB staff reviews the Customer Service Policies and Procedures to ensure these documents meet the needs of both EWEB and its customers. This year, only minor language changes were made in order to clarify policy.

Discussion

W-I, W-II and W-V Water Policy Changes:

The 2015 review process initiated changes to W-I, Water Service Conditions, W-II, Water Main Extensions, and W-III, Water Service Charges and Rates.

A high level summary of the changes for W-I include:

Grammatical and clarifying changes to the policy and removed Unauthorized Use of Water from Unmetered Connection due to being covered in All Utilities.

A high level summary of changes for W-II include:

Grammatical changes to the policy and moved paragraph regarding temporary service to W-I.

A high level summary of changes for W-V include:

Grammatical changes to the policy.

TBL Assessment

A full TBL was not conducted on this proposal.

Recommendation

This item is information only.

Requested Board Action

There is no requested Board action. These minor revisions will be made available online on March 1, 2015 and can be viewed online at EWEB's home page at <http://www.eweb.org/policies>.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Dave Churchman, Power Operations Manager, and Patty Boyle, Generation
Principal Project Manager
DATE: February 9, 2015
SUBJECT: Asset Sales – Smith Creek Hydro Facility
OBJECTIVE: Information Only

Issue

These materials are in response to Commissioner Brown's request for information regarding the decision to pursue electric generating asset sales generally, and the Smith Creek Hydro Facility specifically.

Approximately two years ago at the direction of the Risk Management Committee staff embarked on a portfolio review with two primary goals: 1) to more closely align EWEB's energy needs with its energy supply in order to moderate the volatile negative revenue impacts resulting from a falling wholesale power market; and 2) explore generation asset sale opportunities to improve the financial condition of the organization in support of EWEB's ongoing efforts to offer more competitive electric rates to our customers. As a result of that process staff recommended investigating the viability of selling the Smith Creek Hydro Project because it was not needed to serve load and increased EWEB's surplus energy during the traditionally low value spring runoff months. Additionally, because it is located far from EWEB's other hydro assets, it presents unique costs and challenges to operate and maintain.

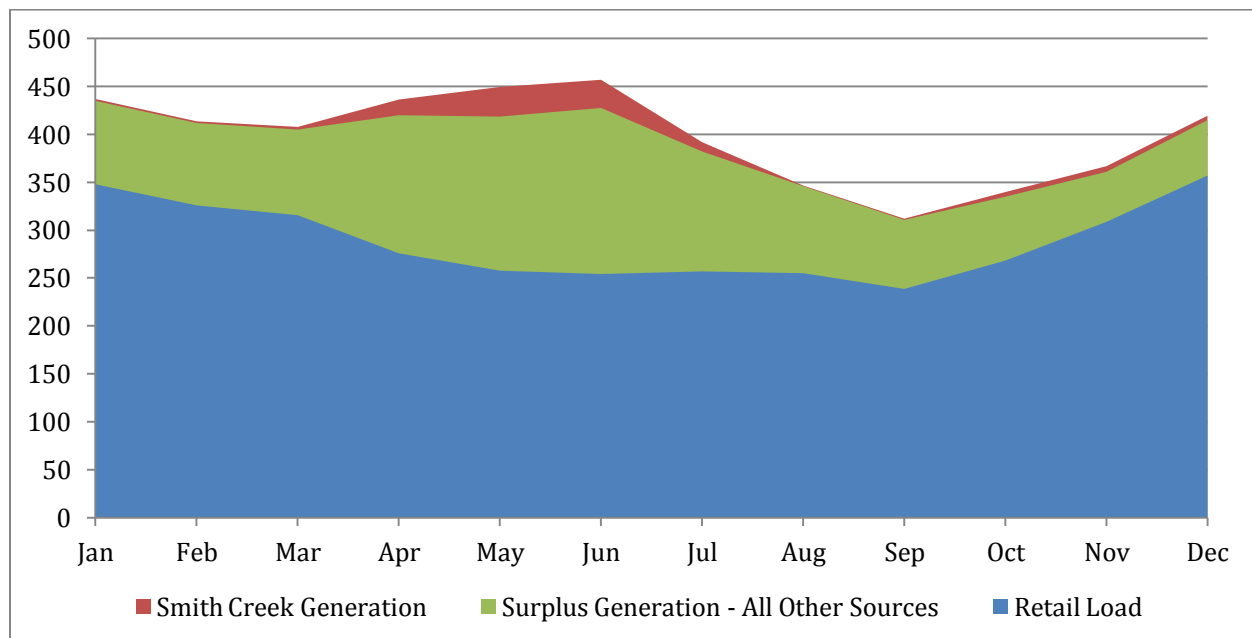
Background

The Smith Creek Project is a 38 MW plant located in the northern panhandle region of Idaho near the Canadian border. The project was originally developed and licensed until 2037 by Smith Falls Hydropower and financed by Westinghouse. EWEB has been involved in the project since development, first as the energy off-taker and subsequently the owner. EWEB's energy off-take agreement included a first right of refusal to purchase the plant, which it exercised in 1993. The project and FERC license (was transferred to EWEB in late 2001. Annual generation from Smith Creek is estimated at 9 aMW, although this energy is predominantly generated during spring months.

EWEB's projected 2015 retail load is 285 aMW, while the total available resources to serve that load are 340 aMW in firm resources and an additional 58 aMW in non firm-resources. This means EWEB has an average surplus of 45 aMW on an annual firm basis and significantly more annually on an expected basis. EWEB has, and will continue to have significant surplus firm and non firm

resources, until the mid to late 2020's. Considering peak needs, when firm supply is not as strong, production at the Project has typically been offline because the creek supplying water to the turbines is either frozen or not sufficient to meet minimum flow requirements.

The graph below provides a visual representation the project's generation compared to retail load and all other sources of surplus generation.



Surplus power is sold in the wholesale markets by the Power Operations Department, guided by the Risk Management Policies put in place by EWEB management and the Board. These policies help protect ratepayers from large swings in power value in the 1-5 year timeframe but do not mitigate the exposure to long-term prices changes or operational risk such as generator failure. Additionally, being an owner/operator requires resources throughout the organization such as Engineering and Environmental to manage the day-to-day operations and long term maintenance of those resources.

The most recent update to the Long-Term Financial Plan as presented to the Board in October 2014, identified debt service coverage below its target in all scenarios for the period of 2017-2021. Selling as Smith Creek allows the proceeds to be used to defease any outstanding debt on the resource which will positively impact debt service coverage for the periods in which outstanding debt exists. Proceeds above the amount required to defease the debt can then contribute to the other financial initiatives as directed by the Board.

Discussion

In 2013, staff in the Power and Strategic Planning department completed an analysis to determine if there were opportunities to restructure the resource portfolio to decrease the long-term financial and operational risk associated with surplus resources. The highest level goal that results in risk reduction is the alignment of power supply with power need. Each resource (owned or contracted) was evaluated on the following criteria.

- Portfolio fit from a power and regulatory standpoint
- Legal or regulatory restrictions to sale
- Relationship to the BPA contracts
- Resource cost/ability to have a positive impact on EWEB's financial condition
- Perceived marketability
- Perceived complexity to sell

Based on that evaluation, the Smith Creek Project was identified as the strongest resource candidates for portfolio restructuring. Some of the characteristics that stood out in this determination include the following:

- Spring-heavy generation added to extreme spring surplus with little and sometimes no generation in late summer and winter peaks when the loads/need are higher.
- Ownership structure (EWEB-only) made it less complex to sell
- Locational issues and level of contract employees made labor/maintenance savings more direct
- EWEB was present during the building of the plant and has had a relationship with the project throughout its life, leading to good data availability and simpler risk/counterparty structure
- Outstanding debt on asset made it a clear lever for the DSC financial metric
- Low environmental impacts of the project
- Reduced perceived complexity to sell and increased perceived marketability

Based on this evaluation, a request for proposal to purchase the Smith Creek Hydro power facility was issued in 2014.

In order to prepare to issue the RFP, EWEB contracted with HDR Engineering Inc. to complete a Condition Assessment Report and separately, a financial analysis of expected market value. HDR found the plant to be in good condition, with a few minor recommendations for improvements and additional inspection of the penstock. The penstock was subsequently inspected and the information shared with bidders.

The RFP to purchase the facility was issued in May 2014 accompanied by the Smith Creek Project Manual, attachment A to this memo. Although not required to be compliant with Oregon Public Purchasing laws, staff believed that a competitive process by which a broad range of interested parties had the opportunity to bid on the plant would result in the highest value for EWEB. The RFP included an extensive project manual and supporting contracts and documents to ensure that bidders had as much information as possible to submit an informed bid. Interested parties were invited to tour the plant and facilities in the early summer while the plant was in operation.

Following the plant tours and after responding to follow-up questions, EWEB received multiple bids for the plant and has worked with several of them to provide access to the plant in order to complete more detailed engineering level inspections. Throughout the fall of 2014, EWEB continued to support the bidders in their due diligence to develop a best and final offer. Final offers are currently being evaluated by staff representing Power and Strategic Planning, Financial Services and Power Operations.

When complete, Staff will return in executive session to make a recommendation to proceed or not with the sale.

TBL Assessment

Because this transaction would dispose of an asset, no TBL has been completed.

Requested Board Action

This memo is for informational purposes only. Questions regarding this effort can be directed to Dave Churchman or Patty Boyle.



Eugene Water & Electric Board



SMITH CREEK HYDRO-GENERATION PROJECT
FERC Project P-8436

DESCRIPTION MANUAL
Attachment A of RFP 003-2014

Contents

GENERAL DESCRIPTION	3
General Data	3
Location	4
Project Origination	4
Project Condition	4
Location Map	5
FEATURES	6
Diversion Structure	6
Penstock	8
Powerhouse	10
Substation	12
Transmission Line	14
Real Estate	16
Other Fixed Assets	17
Equipment List and Rolling Stock	17
GENERATION	18
CONTRACTS	19
Outsourced Operations Management	19
Other Miscellaneous Contracts	20
REGULATORY ENVIRONMENT – PERMITS AND REPORTS	21
FERC	21
NERC	21
US Forest Service	22
CAPITAL INVESTMENT PLAN	23
EXHIBITS	25

GENERAL DESCRIPTION

General Data

License Issued April 10, 1987, Expires March 31, 2037

FERC Dam Number: 08436-01-01

USGS Quad Map: Smith Falls

Lat/Long: 48.929746, -116.656008 (Diversion)

Completion Date: 1990

Minimum Flow Required: 27 cfs

Reservoir (Run of River): 2 ac; Maximum Pool 3442 ft, Normal Pool 3440 ft;

Storage 7 ac-ft

Safety: Low Hazard, EAP Exempt

Generating Units: 3 Horizontal Pelton

Water Right: 370 cfs

Original Licensee: ID Natural Energy

Transfer to EWEB: 50-31-2000

EWEB is selling the Project on an "AS-IS" basis. All potential Proposers will be afforded a reasonable opportunity to inspect the physical condition of the Project, as well as its maintenance and performance records, as set forth in this RFP. Proposers shall be responsible for conducting and relying upon its own examination of the Project prior to making a Proposal. Each Proposal shall be based solely on the Proposer's own examination of the condition and performance Project and not on any other representations, statements or assertions concerning the Project made by any other person. The Finalist selected by EWEB to be awarded a contract will have a reasonable opportunity to conduct further inspections of, and due diligence on, the Project prior to executing a final purchase agreement. Aside from any required disclosure of known defects, the final agreement for the purchase of the Project will not include any express or implied warranties, covenants or representations concerning the present or future condition or performance of the Project."

Important Note: All questions regarding the project during the RFP process MUST go through the Purchasing office at this point, so please be sure to contact the RFP Purchasing Analyst, Sandra Hahn at 541-685-7163 or

sandra.hahn@eweb.org. Please refrain from contacting other EWEB associates, departments, or the personnel at Smith Creek.

LOCATION

Address: 22176 Westside Rd, Bonners Ferry, ID 83805

The Smith Creek Hydro-Generation Facility is located in the northern panhandle region of Idaho, about 4 miles southwest of Porthill, Idaho, near the Canadian Border. It lies near the town of Bonners Ferry, in the Kaniksu National Forest.

The location can also be viewed on GoogleEarth, using the following coordinates:

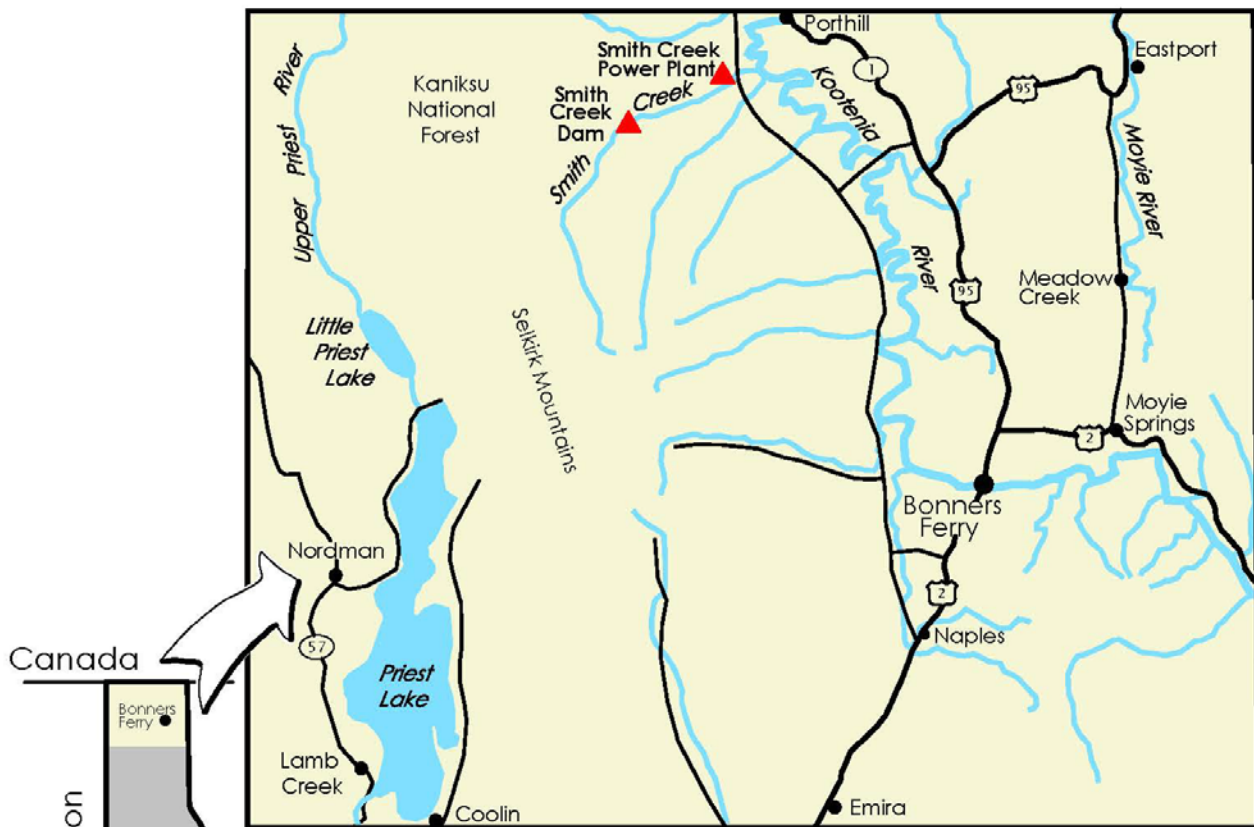
Longitude: -116.421598 Latitude: 48.827012

Project Origination

The Smith Creek project was originally developed in 1989 by Smith Falls Hydropower of Utah and financed by Westinghouse. EWEB has been involved in the project since development, first as the energy off-taker and subsequently the owner. EWEB's energy off-take contract included a first right of refusal to purchase the plant which it exercised in 1993. The title, the project, and the FERC licenses were transferred to EWEB in late 2001.

Project Condition

In February 2014 HDR Engineering, Inc completed a Condition Assessment Report for the Project. The report, in its entirety has been included as Exhibit A – HDR Condition Report, and is summarized here. EWEB intends to sell the project as described below, in its entirety, to one buyer.



Canada

Washington

Montana

Oregon

Nevada

Utah

Smith Creek Hydroelectric Project Idaho

General Location Map



Boise

IDAHO

Wyoming

FEATURES

Diversion Structure

The Project includes a 12 foot-high, 95 foot wide reinforced concrete gravity diversion dam with 3 sluice gates, trash racks, fish screens, a fish bypass, with very little storage capacity. The top of the dam is at elevation 3,440 feet msl.



Diversion Structure



Fish Ladder



Diversion Dam with New Trash Rack

Penstock

A reinforced concrete intake structure is located at the left abutment and connects to an approximately 27,400 foot-long buried steel penstock that varies from 57-inches to 72-inches in diameter. There is a 700-foot-long, 14-foot-wide access road from Forest Service road #281 to the diversion structure and entrance to the Penstock.



Inside Penstock House

Fish Screens





Typical Unit Penstock Penetration into
Powerhouse



Unit 1 and 2 Typical Penstock Bifurcation for Upper and Lower Nozzle Flow Diversion



Unit 1 Turbine and Generator

Powerhouse

The penstock terminates in a powerhouse (124 foot long, 80 foot wide, 42 foot high) with a reinforced concrete substructure and metal frame superstructure that contains three Pelton-type generating units with a static head of 1,583 ft.



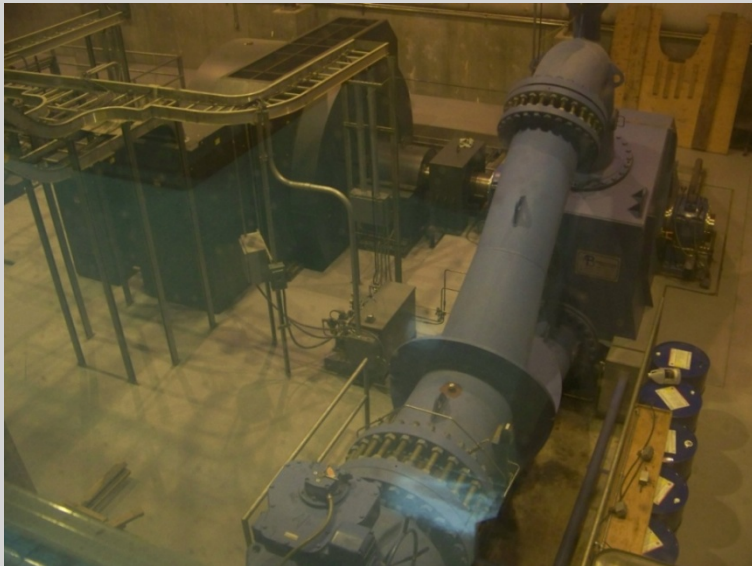
Powerhouse from Office Driveway

Units 1 and 2- Andritz VAtech Hydro	
Type	Pelton
Turbine Runner Serial No.	1010 and 2020 (2007)
Rated Flow & Net Head	170.3 @ 1407.k ft
Rated Trubine Shaft Output	23870 HP
Rated Speed	514 RPM
Capacity	18.0603 MW
Unit 3 Ateliers Bouvier	
Ref:	1989/9.1.008.00
H:	480 m
Q:	0.546cms
P:	2233 kW
N:	1200 rpm
Capacity	2.15

A 62-foot-wide, 30-foot-long tailrace, at an elevation of 1,840.47 feet msl, discharges water into Smith Creek above Smith Falls.



Powerhouse from Uphill over Buried Penstocks



Power House - Unit 1



Powerhouse – Unit 2 Generator in Foreground

Substation

The substation at the project consists of an SF6 115kV breaker, a single generator step up transformer, and associated overhead bus work with associated air switches and instrument transformers. The substation is surrounded by chain link fencing. The Project substation connects to 30 miles of 115-kV transmission line that terminates with the Bonneville Power Administration Bonners Ferry substation. The sale includes the transmission line.



Substation and Generator Step-up Transformer



Generator Lead Raceway (Wire Tray)



Generator Neutral High Resistance Ground Cabinet



Bonners Ferry Substation

Transmission Line

The 30 mile Smith Falls (transmission) Line (115kV), is an integral part of the Project and included in the sale. Most of the structures are configured in a pole-top delta configuration, with a vertical post insulator and two horizontally opposed post insulators. The majority of the transmission line route includes a 14.4 kV distribution under build owned by Northern Lights Electrical Cooperative. Northern Lights has contracted with EWEB for up to 3 MW of capacity on the transmission line for \$21,000 per year, with additional load capacity above the limit allowed for an additional fee. See Exhibit B – NLI Contract for a copy of the transmission agreement with Northern Lights, as well as Exhibit C – NLI Joint Use of Pole Agreement. Total capacity of the line is currently rated for 76 MVA in the summer months and 119 MVA in the winter.

Access along the transmission line is good; the great majority being adjacent to existing road right of way. Project staff have generally performed tree trimming in low-risk/low-height situations. All other vegetation management is contracted out to local contractors. NERC related tree trimming was partially completed in 2013, with the remaining work scheduled for completion in the summer of 2014. Approximately 15 miles of the 30 mile transmission line is over farmland with no trees or shrubbery.



The most recent pole inspection was completed in 2010, with no notable findings and no internal decay detected. Testing included visual inspection of poles and attached hardware, sampling to determine effects from insect damage or decay, and treatment where required. There is a current project to relocate a tower at the crossing of the Kootenai River adjacent to the plant, which has shown signs of guy wire anchor erosion.

The Smith Creek Project is in full compliance with NERC regulations, as they apply to EWEB. Any future owner will be responsible for all regulatory compliance.



Real Estate

Four parcels of land are included in the sale. Parcels 1-3 are located at the powerhouse and the fourth is adjacent to the Bonneville Power Administration's Bonners Ferry Substation.

Parcel 1 – 2.7 acres. SEC 26 T65N R2W LOT 1, Smith Falls Subdivision. This small parcel contains the powerhouse, substation, and terminus of the penstock. It is bordered by Parcel 2 to the north and Parcel 3 to the south.

Parcel 2 – 78.54 acres. SEC 26 T65N R2W LOT 2 Smith Falls Subdivision. This large parcel contains the first portion of the transmission line, the powerhouse and substation access road, a portion of the penstock immediately upstream of the plant, before it enters the national forest, the equipment storage yards, an equipment storage shed/barn, a fuelling station, and the remaining residential garage. It extends from West Side Road on the eastern side to Smith Creek Road on the western side. This parcel also contains timber.

Parcel 3 – 36.38 acres. SEC 26 T65N R2W Tax 5. This medium parcel is located to the south of the powerhouse, with Smith Creek running through the middle. It abuts national forest to the west and south, and also contains timber.

Parcel 4 - 1.45 acres. SEC 35 T62N R1E Tax 16 Less Tax 21. This parcel contains the switchyard near Bonners Ferry and is adjacent to Smith Creek substation.

Other Fixed Assets

Bridge crane with electric gantry and trolley travel, modernized in 2006.

- 50 Ton manual hoist
- 7 Ton electric auxiliary hoist



Powerhouse Bridge Crane

Equipment List and Rolling Stock

Below is a potential list of equipment that will be included in the purchase of the Project. The list below includes more costly and/or specialty items and is not an all-inclusive representation of items included in the sale. In addition, an extensive spare parts inventory exists for the plant, including protective relay, automation, incidental mechanical and electrical components for operation of the facility. (As part of the operations and maintenance contract, Dominion Power Services has provided certain tools and equipment used in the day to day operation of the project. These items are itemized in Exhibit D – Dominion Equipment List and are NOT included in the sale.)

EWEB-Owned equipment included in the sale of the Project:

1. Kassbohrer Piston Bully 170D Snow Cat (1)
3. Spare turbine runners (2): Original Bouvier runners
4. Scissor Lift (1): JLG 450E
5. Conex Storage Containers (2 each)
6. Welder (1)

GENERATION



The plant has a 38.5 MW nameplate capacity and a calculated capacity factor of 25% from EWEB operations. Actual hourly generation has been provided in Exhibit E of the Description Manual (per Attachment A of the RFP.) It's important to note that EWEB has dispatched this plant primarily based on market conditions but is also influenced by BPA Oversupply Management Protocol and other operational and weather conditions. Calculation of the capacity factor, including all hours when the plant was available to generate energy, would result in a higher calculated capacity factor. It is also important to note that in 2007, the two original Bouvier turbine runners were replaced. The resulting increase in generation from 2008 forward should be factored into the analysis of this Project.

Total MWH's of Production

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	OCT	Nov	Dec
2009	HLH	578	0	6	2364	14457	15443	2887	10662	0	85	1299	148
	LLH	288	0	3	1217	7310	7147	1528	23	0	65	581	82
2010	HLH	527	190	548	6443	40067	16043	4378	29	966	1212	6711	3349
	LLH	264	91	332	3294	8181	4146	2289	18	22110	659	3451	1673
2011	HLH	3400	1430	569	19	12758	17237	12685	1076	0	187	430	845
	LLH	1676	682	287	0	2464	605	3786	570	0	97	265	416
2012	HLH	583	25	477	3715	15884	11268	8936	476	0	1588	10185	7411
	LLH	289	15	182	611	3069	3165	1676	226	0	666	5147	3691
2013	HLH	1576	347	2662	7968	16641	16511	2260	0	15517	2960	1931	905
	LLH	776	168	1278	4116	7325	8542	1051	0	36	1559	957	462

CONTRACTS

Dominion Power Services, Inc. (Outsourced Operations Management) - EWEB presently contracts with Dominion Power Services (DPSI) to perform operation and maintenance services at the Project. DPSI has operated the Project since its construction in 1989. The current contract will expire September 6, 2017.

Description	Note
Yearly Labor Fee	Fixed yearly fee for personnel to operate and maintain facility, including operators, supervisor, administration etc.).
Overtime for Economic & Environmental Unit Shutdowns	Estimation based on 2011 operator overtime hours for BPA required shutdowns using contractor operator overtime rate.
5 Year Escalation	Yearly Labor Rate. Escalations estimated at 2% and to be adjusted by yearly CPI percentage per contract.
Parts & Materials	Estimated based on 3 year history
10% Contingency	Unanticipated maintenance and EWEB requested overtime

DPSI has over 20 years of experience operating the facility systems in a safe and efficient manner. They are also very familiar with environmental considerations, and they have developed positive relationships with the public and private agencies in the area, including the Forest Service and the local fisheries agencies. The two full time operators for the facility are residents of the nearby town of Bonners Ferry and each have SCADA terminals at their residence to receive alarms both through SCADA and via telephone.

DPSI's safety practices and safety record has been exceptional, mitigating risk of costly personal injury of operating staff. In DPSI's over 20 year history operating the Project, EWEB has maintained a clean record in terms of FERC, personnel safety, public safety, and environmental violations. DPSI has long term, detailed familiarity with the facility systems, mitigating the risk of costly equipment damage property due to improper operations.

Please review Exhibit F – Dominion Contract and Section Four of Exhibit A – HDR Condition Report for more detail regarding this contract. At the buyer's preference, EWEB will either provide notice to terminate that contract upon transfer and buyer may negotiate directly with DPSI, or, where allowable within EWEB's contract with DPSI, negotiate an assumption agreement with the contractor.

Other Miscellaneous Contracts

Bonneville Power Administration – Emergency Transmission Tap Agreement to establish a temporary connection between BPA’s North Bench Substation and the Bonners Ferry-Smith Creek 115 kV line for planned maintenance and emergency purposes. Please refer to Exhibit G – BPA Tap **Agreement** for a copy of the executed contract.

Natural Resource Conservation Service (Snotel) - The site, located at 988 Hidden Lake, measures snow water content, accumulated precipitation, air temperature and snow depth. The hourly data is used to forecast yearly water supplies and other climate information. Please refer to Exhibit H –NRCS Snotel Contract for a copy of EWEB’s current agreement.



IMPORTANT NOTE: IT IS THE BUYER'S RESPONSIBILITY TO UNDERSTAND AND COMPLY WITH THE REGULATORY AGENCY STANDARDS APPLICABLE TO THEIR OWN ORGANIZATION.

Federal Energy Regulatory Commission (FERC)

FERC is an independent agency that regulates the interstate transmission of electricity, natural gas, and oil. They license and inspect private, municipal, and state hydropower projects, such as the Smith Creek Project.

- For a detailed inspection of the FERC data, please refer to the following link:

<https://ferconline.ferc.gov/FERCOOnline.aspx>

- For historical information, click on “eLibrary” at left of page. Choose a date range, insert FERC license number P-8436 in the “Docket Number” field, and click on “Submit”.
- To obtain notifications of new postings, register at “eSubscription”.
- For a summary of FERC compliance, as of February 15, 2013, please refer to Exhibit I – FERC Compliance.

Low Hazard Dam classification - EWEB has been afforded an annual exemption from certain regulations due to the Project's low hazard classification. (Indicated on Exhibit J – FERC Report Indicating Low Hazard Status.)

Safety of Dam - Please refer to Exhibit K – Dam Safety Report for the latest FERC safety inspection report from 2010. (The most recent report will be made available when published by FERC.)

North American Electric Reliability Corporation (NERC)

NERC is a nonprofit corporation based in Atlanta, Georgia, whose major responsibilities include working with all stakeholders to develop standards for power system operation, monitoring, and enforcing compliance with those standards, assessing resource adequacy, and providing educational and training resources as part of an accreditation program to ensure power system operators remain qualified and proficient. Smith Creek is currently integrated in EWEB's NERC Compliance program and is in compliance with all standards.

U.S. Forest Service Permits

Special Use Permit - The Forest Service manages over 912 million acres of national forests and grasslands that comprise the National Forest System (NFS). The Agency’s special-uses program authorizes users on NFS land that provide a benefit to the general public and protect public and natural resources values. The Project is partially located on NFS land (the diversion area), therefore, EWEB has complied with SUP (the Special Uses Program).

A copy of EWEB’s Special Use Permit is attached as Exhibit L – Special Use Permit.

Flushing Flow Requirement – Stemming from Article 103 of EWEB’s FERC license, the intent of this requirement is to imitate natural processes (high spring flows) in order to keep sediments, gravels, and material moving through the system. Please refer to Exhibit M – Flushing Flow Requirement and Exhibit N – Flushing Flow Decision Chart.



Interpretive sign at overlook area

Over the next 5 years, certain Capital and Operating improvements are scheduled for the Smith Creek Project. The following provides a description, schedule and cost estimate of those projects. The cost estimates provided are preliminary estimates based on EWEB practices and should be verified by bidders based on their own experience.

Title	Description	Cost Estimate	Year
Penstock Inspection	Dewater the penstock and complete inspection. Inspect/refurbish vacuum valves and cathodic measurement stations.	\$30,000	2014
Crane Refurbishment	Disassemble hook swivel for inspection and greasing and add grease fitting. Modify crab stops.	\$9,900	2014
PLC/HMI Power plant	Ensure all needed spares are on hand and in good condition. Perform assessment to installed system.	\$10,200	2014
Transmission Pole	Repair/replace tower 391 guy wires.	\$47,000	2014
Transmission Vegetation Management	Perform right of way clearing on balance of transmission line.	\$40,000	2014
Generator PD Couplers	Install couplers on units 1 & 2 to allow for partial discharge monitoring.	\$90,000	2015
Medium Voltage Outdoor Cable Tray Improvements	Install covers on underside would increase security and safety of facility.	\$5,000	2015
Unit 2 Heat Run	A heat run would verify adequate cooling to supply up to the designed nameplate instead of having a 19MW limit.	\$10,000	2015
IR Monitoring	Additional condition assessment and effective way to track potential issues in low and medium voltage system.	\$5,000	2015
High Voltage Warning Signs	Signage needs upgraded to current OSHA code.	\$1,500	2015

Additionally, there are Capital and Operating improvements that are contemplated for 2019 or beyond. Many of these projects are discretionary and will be completed based on operational and financial needs criteria. The following table provides a brief description of those projects.

Title	Description
Diversion Improvements	Investigate and implement solutions to reduce entry of sand and gravel through the penstock.
Equipment Repair and Storage Shop	Construct steel building on lower property for storage of large sized spare equipment and maintenance equipment. Will also provide area for repair and maintenance outside of power plant generator floor.
Penstock Refurbishment and Protection	Replace interior protective coating and perform minor repairs as identified in inspection.
Unit 3 Runner Replacement	Unit 3 Runner is reaching the end of its economic life and will be evaluated for replacement.
Voltage Regulator Upgrade	Upgrade the Voltage Regulator to digital.
Communication and Power Upgrades	Complete a condition assessment to optimize replacement timing.
Fish Ladder Extension	Addition of concrete apron on lower ladder segment to mitigate erosion.
TSV Replacement	End of life replacement.



EXHIBITS

Exhibit A – HDR Condition Report

Exhibit B – NLI Power Transfer Agreement

Exhibit C – NLI Join Use of Pole Agreement

Exhibit D – Dominion Equipment List

Exhibit E – Hourly Generation by Unit

Exhibit F– Dominion Contract

Exhibit G – BPA Tap Agreement

Exhibit H – NRCS Snotel Contract

Exhibit I – FERC Compliance

Exhibit J – FERC Report Indicating Low Hazard Status

Exhibit K – Dam Safety Report

Exhibit L – Special Use Permit

Exhibit M – Flushing Flow Requirement

Exhibit N – Flushing Flow Decision Chart



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Mark Freeman, Energy Management & Customer Service Manager
DATE: February 6, 2015
SUBJECT: Collection Agency Litigation
OBJECTIVE: Information Only

Issue:

As EWEB continues to look for more flexibility and resiliency in its Credit and Collections work, a source of revenue has been identified in the form of approximately 16,000 unpaid, written-off accounts currently assigned to Professional Credit Services for collection. Presently, EWEB allows Professional Credit Services to litigate such accounts if the balance owing is \$10,000 or more. By allowing Professional Credit Services to litigate accounts with an EWEB balance of \$300.00 or more, EWEB can realize greater revenues via its existing Collection Agency partner in a way that works within the framework of EWEB's existing staff and resources.

Background:

Currently, Professional Credit Services is holding more than 16,000 EWEB accounts with an EWEB balance of \$300.00 or more each. These accounts total approximately \$8,000,000.00 in potentially recoverable monies. Professional Credit Services projects recovery of more than \$800,000.00 of these monies within the first 12 months if the threshold for litigation is reduced from \$10,000.00 to \$300.00.

Consultation has occurred with EWEB legal counsel as well as with Professional Credit legal counsel, and customer notification processes have been updated to include language regarding potential litigation and fees. EWEB's Purchase Order with Professional Credit has been reviewed by legal counsel and updated appropriately. Following an inquiry of local utility and governmental agency practices, it was determined that the \$300.00 threshold is consistent with those entities.

For comparison:

- Springfield Utility Board allows their Collection Agency to litigate without a minimum balance threshold.
- Emerald Public Utility District does not litigate written off accounts
- Lane Electric Cooperative allows their third party collector to litigate with a minimum account balance of \$500.00.
- Blachly Lane Cooperative allows their Collection Agency to litigate without a minimum balance threshold.
- The City of Eugene has advised EWEB that there should be no threshold for litigation of accounts billed by EWEB on its behalf.

Discussion:

Based on EWEB's internal analysis and Professional Credit's data and input, EWEB will lower its threshold for litigating written-off accounts with assets from its \$10,000 to \$300.00 to allow Professional Credit Services to collect monies owed to EWEB for services already provided effective March 1, 2015.

Recommendation:

None. Information only.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Mel Damewood, Engineering Manager, and Mike McCann, Generation Manager
DATE: February 17, 2015
SUBJECT: Emergency Declaration for Construction Services – Leaburg Roll Gate #1
OBJECTIVE: Information Only

Issue

On December 23, 2014, the hydraulic motor drive for Leaburg Dam Roll Gate No. 1 failed and left the roll gate in a closed position. This left EWEB with only a single operating roll gate at Leaburg Dam, necessitating the implementation of an incident management team to coordinate EWEB's response. Since then, EWEB engineering and operations staff, working with Knight Construction Co., Deer Park, WA, has returned the previously failed Roll Gate No. 2 to service and Leaburg Dam now has two operating roll gates. It is imperative that all three roll gates be operational and because time is of the essence, EWEB has declared an emergency to begin repairs on Roll Gate No. 1. The purpose of this memo is to inform the Board about the declaration and the process moving forward to secure resources and order long-lead items to repair the roll gate in an expeditious manner.

Background

On January 8, 2015, EWEB staff met with staff from the Federal Energy Regulatory Commission (FERC) from the Portland, Oregon Dam Safety office. The purpose of the meeting was to facilitate an information sharing and discussion session about the roll gate motor failures (both No. 1 and 2) and the future operation of the remaining gate motor (No. 3). At that time, FERC staff showed great concern about the failures of the hoist motors and potential flooding scenarios that could occur without functioning roll gates. FERC directed EWEB to repair the roll gate(s) as expeditiously as possible, and is considering an order directing EWEB to replace the hydraulic motor in Roll Gate No. 3 as a precautionary measure. At the conclusion of the meeting, FERC verbally indicated that EWEB should have Roll Gate No. 1 repaired in time for next winter (rainy season of 2015). In order to meet that schedule, EWEB will need to expedite the procurement of new hoist motor and associated components, and secure the existing contractor (Knight Construction) because of their expertise, knowledge and experience with the roll gates gained through completion of the Roll Gate No. 2 repair.

Discussion

EWEB staff has begun the Request for Proposal (RFP) process with Knight Construction to get a proposal on replacement of the failed hydraulic motor in Roll Gate No. 1 with an electric motor

identical to the one installed for Roll Gate No. 2. EWEB will also receive a proposal to replace the hoist and motor for Roll Gate No. 3 so we can evaluate any cost savings by combining the projects. EWEB staff recommends this approach over a design-bid-build process because time is of the essence on procuring long-lead items and Knight Construction is now well experienced and familiar with the issues at Leaburg Dam.

The following is the expected sequence of events that staff is establishing with Knight Construction:

1. EWEB will issue a change order under the existing Roll Gate No. 2 contract with Knight to aid in the removal of the damaged hydraulic motor so that engineering forensics can begin to be initiated offsite. It will be to EWEB's benefit to initiate this work immediately while Knight Construction is already mobilized at the site, finishing work on Roll Gate No. 2. This will produce time efficiencies as well as financial savings on the Roll Gate No. 1 effort.
2. EWEB will request from Knight, a proposal containing a not to exceed amount, for the entire scope of work needed to repair Pier House No.1 and install a new electric motor hoist system for Roll Gate No. 1. EWEB will also receive a proposal for replacement of the hoist and motor of Roll Gate No. 3.
3. After thorough review and evaluation of the proposal, EWEB may issue a notice to proceed (NTP) to Knight Construction to begin ordering long-lead items for the work, and to begin the necessary modifications to Pier House No. 1.
4. At the April 7, 2015 Board Meeting, EWEB staff will summarize the contract to the Board for final approval. This approval will be a confirmation of our approach with moving forward in initiating the contract with Knight to meet the critical timeline. We will also present a recommendation of moving forward or deferring work on Roll Gate No. 3.

TBL Assessment

A triple bottom line assessment was not completed for this work.

Recommendation

This is for information only. No action needed at this time.

Requested Board Action

If you have any questions or need further information please contact Mel Damewood at 541-685-7145 or email mel.damewood@eweb.org or Mike McCann, at 541-685-7379 or email mike.mccann@eweb.org.

Attachment: Emergency Declaration Form

FINDINGS TO SUPPORT DECLARATION OF EMERGENCY

DATE: February 5, 2015

REQUESTOR: Mark Zinniker, Mike McCann, and Mel Damewood

ESTIMATED COST: To Be Negotiated

In accordance with ORS 279A.065, ORS279A.025, 279B.080, 279B.145, 279C.335(5); 279C.380(4) and all applicable EWEB Rules:

The Purchasing Manager, with the concurrence of the General Manager and/or an affected LT Manager, may approve award of a public contract for goods, services, or work as an emergency procurement.

Emergency means circumstances that:

- (A) Could not have been reasonably foreseen;
- (B) Create a substantial risk of loss, damage or interruption of services or a substantial threat to property, public health, welfare or safety; and
- (C) Require prompt execution of a contract to remedy the condition. (See ORS 279A.010((1)(f))

Such circumstances may also include, but are not limited to:

- (a) EWEB moving forward as quickly as possible to prevent interruption to vital services, restoration of vital services, or to
- (b) Prevention of loss to EWEB,
- (c) Protection of the quality of services, or
- (d) Other circumstances necessary to responsibly carry out EWEB's services to its customers

279B.145 Finality of determinations. The determinations under ORS 279B.055 (3) and (7), 279B.060 (3) and (10), 279B.075, 279B.080, 279B.085 and 279B.110 (1) are final and conclusive unless they are clearly erroneous, arbitrary, capricious or contrary to law.

NATURE OF THE EMERGENCY:

On Tuesday, December 23rd, Roll Gate No. 1 at Leaburg Dam experienced a catastrophic failure of the hydraulic motor that hoists the gate. This failure, combined with the previous failure of the hydraulic motor for Roll Gate No. 2, left Leaburg Dam with only one operational spillway gate. With one operable gate, the available discharge capacity for Leaburg Dam is only approximately 32,000 cfs, equivalent to approximately an 8-year flood event. In this condition, any river flows greater than 32,000 cfs would result in abnormally high water levels in Leaburg Lake. As Leaburg Lake levels get higher, the dam would overtop and there would be considerable risk of damage to EWEB facilities, adjacent hatchery facilities, private properties and improvements bordering the lake, and Highway 126. EWEB was very fortunate to return Roll Gate No. 2 to service in mid-January (re-establishing the dam's capacity to pass a 100-year flood) before there were any significant high flow conditions. However, this recent situation exposed the substantial risk that exists when one of the dam's redundant spillway gates is out of service. Any complication with one of the remaining two gates (and there are many potential complications ranging from flood debris blockage to a variety of hoist system equipment malfunctions) can result in an immediate reduction of the dam's flood discharge capacity to an unacceptable level. EWEB was extremely fortunate with weather conditions in late December 2014 and January 2015, but can certainly not expect similar good fortune in the future.

Given the demonstrated risk of operating Leaburg Dam without spillway gate redundancy, EWEB staff recommend returning Roll Gate No. 1 to service before the 2015/2016 wet weather season. In addition to EWEB's internal desire to mitigate a significant dam safety risk, this recommendation is motivated by an expectation that the Federal Energy Regulatory Commission (FERC) Dam Safety Division will not approve a more extended schedule for returning Roll Gate No. 1 to service. FERC dam safety staff expressed high levels of concern when Roll Gate No. 1 failed and during a site visit to Leaburg Dam on January 8th, they indicated that an expedited effort to restore the gate to service would be required. FERC staff also expressed concern about EWEB's continued reliance on the hydraulic motor that is used to operate Roll Gate No. 3. They share EWEB staff concerns about the reliability of the one remaining hydraulic motor hoist system and EWEB expects that they will require a more reliable hoist system for Roll Gate No. 3 as well.

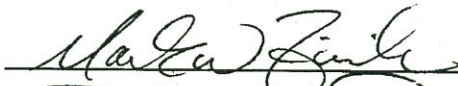



As a result of the schedule urgency for restoring Roll Gate No. 1 to service, it is not feasible for EWEB to contract for the hoist replacement using standard public procurement processes. The need for ordering long lead time equipment does not leave time to prepare customized Roll Gate No. 1 design documents for conventional competitive bidding. The only feasible way to accomplish a return to service before the 2015/2016 wet weather season is to amend EWEB's existing contract for the Roll Gate No. 2 replacement, allowing application of the approved submittals for Roll Gate No. 2 toward procurement of equipment Roll Gate No. 1. The existing contract with Knight Construction can be relatively easily and rapidly amended to include replacement of the Roll Gate No. 1 hoist. Knight was competitively awarded the Roll Gate No. 2 hoist replacement work in April 2014. Since Knight was the only contractor to submit a responsive/responsible bid for the Roll Gate No. 2 replacement project, a protest of EWEB's decision to amend the contract to include this additional work is unlikely. The schedule of values that Knight Construction submitted for the Roll Gate No. 2 also puts EWEB in a good position to negotiate a fair price for the nearly identical amendment work. Knight's performance on the Roll Gate No. 2 work was satisfactory and their continued participation on additional hoist replacement work is expected to yield similar high quality results. EWEB would require Knight Construction to provide the same key staff for implementation of the amended scope of work.

Due to EWEB and FERC concern about the reliability of the remaining hydraulic motor used to operate Roll Gate No. 3, staff also recommend requesting a proposal from Knight Construction to replace that hoist system as well. EWEB staff expect that there would be cost and schedule efficiencies associated with using Knight to perform the work and would like to have a negotiated price for Roll Gate No. 3 if FERC requires an expedited replacement schedule.

Given the severe time constraints for restoring Leaburg Dam roll gates to reliable service, EWEB needs to declare an emergency condition so as to negotiate directly with Knight Construction and authorize an amendment for work that would otherwise be competitively bid. The recent work on Roll Gate No. 2 puts EWEB in a good position to negotiate fair pricing and EWEB can appeal to the FERC for schedule flexibility in the unlikely event that Knight Construction does not propose reasonable costs for the work. EWEB staff expect to be able to report back to the Board on the negotiated pricing at the April Board meeting and will recommend whether to pursue a contract amendment for the replacement of one or both roll gate hoist systems

Since this emergent work was not anticipated in the 10-year Capital Plan, EWEB plans to rely on reserves for funding the construction contract amendment.

APPROVALS

Department Supervisor:		Date:	2/5/2015
Purchasing Manager:		Date:	2/5/2015
LT Manager:		Date:	2/5/2015
General Manager:		Date:	2/9/2015
Additional Comments:			

Vendor/Contractor: _____

Buyer Name: _____

P.O. Number: _____



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Cathy Bloom, Finance Manager; Mel Damewood, Engineering Manager
DATE: February 9, 2015
SUBJECT: EL-1 and Other Financial Reports
OBJECTIVE: Information Only

Issue

In November 2014, EWEB went live with the new Work Order and Asset Management System (WAM). Since this was a major change to EWEB processes and systems, staff has been focusing efforts over the past few months adjusting to the new system.

The financial reporting system is just getting mature enough to produce reports on Operations & Maintenance and Capital spending. To allow time for the reports to be validated, a decision was made by the Leadership Team to delay the quarterly reports, and EL1 Reports for 2014 Capital Projects will be provided at the April 7, 2015 Board meeting.

The traditional “April True Up” Capital Budget Amendment, the Reserve Fund Status and Transfer Resolution, and the Year End Audited Financial Information will be presented at the May 5, 2015 Board meeting because of this reporting delay. The Board calendar has been updated to reflect these changes.

Currently, through project management and adhering to our financial discipline, there are no known financial issues arising, and we are staying within Board Financial Policy.

Requested Board Action

No action required. This is information only. If you have any questions please contact Cathy Bloom through email at cathy.bloom@eweb.org or 541-685-7150 or Mel Damewood at mel.damewood@eweb.org or 541-685-7145.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Cathy Bloom, Finance Manager and Gail Murray, Purchasing/Risk Manager
DATE: February 17, 2015
SUBJECT: Q4 2014 Contract Report
OBJECTIVE: Information Only

Issue

The Board requested that staff provide a quarterly report of contracts between \$20,000 and \$150,000 which would have come to the Board for approval under previous threshold amounts.

Background

The current thresholds are:

Purchase of all Goods, Equipment, Services and Personal Services:	\$ 150,000 or greater
Purchase of Construction Services:	\$ 100,000 or greater

Discussion

Attached is the Contract report for the fourth quarter of 2014. The contracts listed are those that would have previously come to the Board for approval, but which are now below the Board approval threshold.

Recommendation/Requested Board Action

None at this time. This information is provided for informational purposes only.

If you have any questions regarding the contracts, please contact the Purchasing Manager, Gail Murray.

2014 Fourth Quarter Contract Report

Execution Date	Contract #	Contractor	City, State	Description	Amount	Term	Contract Process	LT Manager
10/24/2014	2401	CLEAResult Consulting	Portland, OR	Residential LED Pilot Program, Phase II	\$50,000	10/17/14-3/31/15	Direct Negotiation	Freeman
12/1/2014	2403	Ward Insurance	Eugene, OR	Workers Compensation Services	\$125,000	12/1/14 - 11/30/19	Direct Negotiation	Kostopulos
12/19/2014	2407	AMEC	Portland, OR	Environmental Remediation services - Bunker C	\$94,800	12/19/14 - 7/31/15	Direct Negotiation	Newcomb
11/24/2014	2408	Jeannette Launer Attorney	Bend, OR	Legal Services for Riverfront Dev. Agreement	\$145,000	11/24/14 - 6/30/16	Direct Negotiation	Newcomb
8/20/2014**	035-2011-CO**	GDS Associates	Marietta, GA	Audit NERC Compliance-Task 1 Amendment	\$37,000	8/20/14-9/15/16	Formal RFP	Simmons
10/2/2014	047-2014	Asplundh Tree Expert	Kenmore, WA	Smith Creek Transmission Line Maintenance	\$43,458	10/2/14 - 12/1/14	informal ITB	Damewood
10/10/2014	042-2014	Sensus USA Inc.	Uniontown, PA	Price Agreement for Sensus OMNI water meters	\$500,000	10/10/14 - 10/9/15	Direct - SS 281	Taylor
12/29/2014	059-2014	OC Tanner	Portland, OR	Employee Service Awards	\$120,000	12/29/14 - 10/31/19	Informal RFP	Kostopulos
12/30/2014	14-0011	LCOG	Eugene, OR	Lidar Data Acquisition	\$80,000	12/1/14 - 6/30/18	IGA	Newcomb

** Contract executed 10/13/11 and approved by Board 9/6/11 for \$39,000.

Amendment executed for \$37,000 on 8/20/14, which is greater than a 25% increase to the originally approved contract, but less than \$150,000.

Total # of Executed Contracts between \$10,000 - \$20,0000 = 11

EWEB association for all above contracts = None