

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
JANUARY 6, 2015
5:30 P.M.

Commissioners Present: John Brown, President; Steve Mital, Vice President; John Simpson, Dick Helgeson and James Manning

Others Present: Roger Gray, Mel Damewood, Roger Kline, Todd Simmons, Mike McCann, Mark Freeman, Frank Lawson, Lena Kostopulos, Sue Fahey, Cathy Bloom, Gail Murray, Lance Robertson, Susan Eicher, Jill Hoyenga, Dave Churchman, Brad Taylor, Joe Harwood, Wally McCullough, Alan Fraser, Richard Jeffryes, Gene Austin, Deborah Hart, Laura Farthing, and Taryn Johnson of the EWEB staff; Vicki Maxon, Recorder.

President Brown convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:30 p.m.

AGENDA CHECK

It was moved by Commissioner Simpson, seconded by Commissioner Manning, to postpone item #15 until the February meeting. The motion passed unanimously (5-0).

ITEMS FROM BOARD MEMBERS

Commissioners Helgeson and Manning wished everyone Happy New Year. Commissioner Manning noted that he wants to start the New Year by reminding ratepayers that the Board wishes to be fair and transparent regarding EWEB policies and procedures.

President Brown thanked his fellow Commissioners for tolerating him in his role as Board president, and said that he looks forward to serving for another four years and doing good work.

PUBLIC INPUT

Will Rutherford of the McKenzie Clearwater Coalition gave a follow-up on Mel Damewood's previous Leaburg Dam rollgate repair update. He complimented EWEB's Public Affairs staff for their continued (at least weekly) contact regarding the schedule for traffic traveling over the bridge during the repairs. He noted that he in turn posts this information to the Coalition website, and that he believes there has been minimal inconvenience to residents because of the excellent communication, and he thanked the Board and staff for their transparency.

Former EWEB Commissioner **Bob Cassidy** noted that he had compared 2013 and 2014 EWEB rates, and that while his electric bill has gone up approximately \$17, his water bill has come down \$18, so that results in a wash. He reminded the audience that the key customer expenses are City charges that appear on EWEB's bill and that overall EWEB's rates are very reasonable, especially when reliability is so high, as evidenced during the ice storm response last February.

Commissioners Manning and Helgeson appreciated Mr. Cassidy's comments. Commissioner Helgeson thanked Mr. Rutherford for his continued attendance and comments at Board meetings.

Commissioner Simpson also thanked Mr. Rutherford for being a great resource to the Board and for carrying the Board's message to upriver residents. He reminded Mr. Cassidy that EWEB will not be raising electric rates this year, though there will be some rate restructuring that will result in no revenue increase.

President Brown appreciated Mr. Rutherford, and asked him to continue his attendance at Board meetings. He noted that Mr. Rutherford's presence upriver will also be necessary if EWEB gets their hydroelectric license.

President Brown temporarily closed the Regular Session at 5:43 p.m.

LOCAL CONTRACT REVIEW BOARD

Protest of Award – RFP 050-2014

Sandra Bishop, Lewis Santiago of Holland & Knight (attorneys), and Scott Huffmaster, Vice President of Trees, Inc., summarized the reasons for their protest and referred to a letter stating those reasons. They noted that they were the second most responsive proposer with the second lowest cost, and that there was a \$75,000/year variation over five years between the awardee and their company.

They also stated that they believe that the contract is a commodity contract that EWEB should have used a competitive bid process instead of a Request for Proposal (RFP), and that material partiality entered into the process, and that that came about in the scoring process. They asked that the Local Contract Review Board fairly and fully review the process and insist on a cogent explanation from staff as to why the contract was awarded to the highest bidder and, if the Review Board agrees, the awardee's proposal should be thrown out and the contract should be awarded to the lowest bidder.

Cathy Bloom, Finance Manager; Gail Murray, Purchasing & Risk Manager; and Eric DeFreest, EWEB general counsel; asked the Board to either confirm or deny the above protest based on the information they had received in their Board packet a few weeks prior.

Vice President Mital asked for confirmation of what the Board is being asked to determine. Mr. DeFreest replied that the Board is being asked to either confirm the protest and re-bid the contract using the competitive bid process or award the contract to Trees, Inc.

General Manager Gray noted that the tree trimming work involved in this contract has never been considered a commodity, but is a critical service, and that is why the RFP process is used.

Commissioner Simpson asked for a brief summary of the process leading up to this review, and Ms. Murray provided the summary.

Staff answered clarifying questions and comments from the Board, including length of the current contract, percentage of price difference between the two proposals, and if subjectivity is used when looking at the various scores.

President Brown asked if there is a process in place whereby a proposer can object to the bid criteria before the evaluation process begins. Ms. Murray replied that there is, and that Trees, Inc. had not taken advantage of that opportunity (i.e, they had voiced no objection to bid criteria prior to the evaluation process).

Commissioner Helgeson stated that, after looking at the records that were supplied to the Board (except for scores and the letter received tonight), it appears that the correct process was followed. He added that the community is very sensitive to tree issues and that he also does not regard tree trimming as a commodity, and that for him the lowest bid is not the most important consideration. He noted that many times extra time with customers, City right-of-way and policies, etc., put EWEB at risk if staff was only to consider the lowest bid.

Commissioner Simpson stated that, while there's opportunity to refine the selection process, he doesn't find material bias, but that he looks forward to refinement of the selection process at a future meeting.

Vice President Mital agreed that tree trimming is not a commodity and that crew danger is real, and that he was glad to hear about the subjectivity results.

Ms. Murray clarified that there is no formula for determining subjectivity.

President Brown reiterated that a platform to protest the process existed prior to tonight, and that it wasn't used. He agreed that tree trimming is not a commodity, and also reiterated that the community is sensitive to trees and the environment, and that EWEB takes heat if trees are not handled in the right way.

Commissioner Helgeson added that he struggles to come to the conclusion that inherent bias or partiality existed, and that consistent results and the process turning out a certain way does not automatically mean that bias exists. He added that EWEB's long relationship with the

incumbent awardee is unavoidable, and could indicate bias either for or against, and that the consistency of results actually suggests the opposite.

It was moved by Commissioner Simpson, seconded by Commissioner Helgeson, to deny the award protest. The motion passed unanimously (5-0).

Commissioner Manning asked if the Board could review the selection process and find out what has changed from the initial process. He also proposed that if an incumbent awardee exists, they not be considered in the second round.

President Brown asked that Commissioner Manning make a motion for that when he re-opens the regular session.

The Local Contract Review Board session was closed at 6:24 p.m.

President Brown then re-opened the Regular Session.

CONSENT CALENDAR

MINUTES

1. December 2, 2014 Regular Session

RATIFICATION OF BOARD CONSULTANTS FOR 2015

2. Retained Professionals and Attorneys for 2015

2.1 General Counsel - Eric DeFreest, Luvaas Cobb Law Office

2.2 Special Counsel and Power Risk Counsel - Cable Huston Benedict Haagensen & Lloyd

2.3 Special Counsel Legal Services - Law offices of Jeremy Weinstein

2.4 Special Counsel (BPA Rate Review) - Murphy & Buchal LLP

2.5 Human Resources Counsel - Harrang, Long, Gary and Rudnick

2.6 Bond Counsel - Mersereau and Shannon

3. Ratification of Board Consultants for 2015

3.1 Independent and Consulting Engineers – Black & Veatch

3.2 Independent Actuaries - Kenney Consulting

3.3 Independent Auditor and Certified Public Accountant - Moss Adams

3.4 Financial Advisor - Piper Jaffray (Seattle Northwest Securities Corp)

CONTRACT

4. Pacific Excavation, Inc. – for the 6th Avenue Water Main Replacement to accommodate LTD's West Eugene EmX Extension Project. \$309,000. Engineering Services. Contact person is Mel Damewood.

RESOLUTION

5. Resolution No. 1503 - Approving Board Policy Modifications, Contact Person is Roger Gray.

It was moved by Commissioner Helgeson, seconded by Commissioner Manning, to approve the Consent Calendar. The motion passed unanimously (5-0).

2015 ELECTION OF OFFICERS

President Brown explained the nomination and voting process.

President:

Commissioners Helgeson and Simpson nominated Vice President Mital. The vote was unanimous (5-0).

Outgoing President Brown passed the gavel to newly elected President Mital.

President Mital thanked the Board for their confidence in him and said he looks forward to the opportunity to be president of the Board.

Vice President:

Commissioner Manning nominated Commissioner Simpson. Commissioner Brown seconded the nomination.

President Mital nominated Commissioner Helgeson.

Commissioner Simpson recalled his previous experience as president and vice president and noted that his availability is flexible for agenda setting, and that he looks forward to working with President Mital in this regard.

Commissioner Helgeson noted that he had expressed interest in the vice presidency earlier in the year and that he appreciates the nomination. He added that he too feels qualified for the position but that he believes every Commissioner is capable of this role.

President Mital clarified that his primary reason for the nomination is to incorporate a relatively new Board member into a Board office.

A vote was taken. Commissioner Simpson received three votes (Brown/Simpson/Manning) and Commissioner Helgeson received two votes (Mital and Helgeson). Commissioner Simpson becomes the new Vice President.

2015 APPOINTMENT OF BOARD LIAISON ASSIGNMENTS AND COMMITTEES

General Manager Gray noted that Commissioner Helgeson is currently EWEB's representative to the Northwest Public Power Association (NWPPA) and that only the NWPPA can authorize a change to that position, and that Commissioner Manning is currently EWEB's representative on the Other Post Employment Benefits (OPEB) committee, and that only OPEB can authorize a change to that position.

President Mital noted that Vice President Simpson is vice president of the Lane Council of Governments (LCOG) Board and will continue to serve in that capacity, with Commissioner Manning as alternate.

The Board voted unanimously (5-0) for Vice President Simpson and Commissioner Manning to continue to serve in the above capacities on the LCOG Board.

For the McKenzie Watershed Council, currently Steve Newcomb (management) serves, with Commissioner Helgeson as alternate. Commissioner Helgeson asked to discontinue his service, and President Brown agreed to be the new alternate.

The vote was unanimous (5-0) for Commissioner Helgeson to continue on the NWPPA Board and for Commissioner Manning to continue on the OPEB committee.

PROPOSED BY-LAW AMENDMENT: Section II, Article I (Resolution 1502)

PUBLIC COMMENT FOR PROPOSED BY-LAW AMENDMENT

There was none.

It was moved by Vice President Simpson, seconded by Commissioner Helgeson to approve Resolution 1502.

It was then moved by Commissioner Helgeson, seconded by Vice President Simpson, to amend the above motion by substituting language that he provided in an e-mail to the Board earlier today, whereby the word “approve” would be struck and the words “for consideration” be substituted in its place.

General Manager Gray proposed an additional wording change of “lowest possible cost.” Mr. Helgeson supported this change.

The motion passed unanimously (5-0).

President Mital called for a 10-minute recess.

2015 ORGANIZATIONAL GOALS AND KPI

This item was postponed until the February Board meeting.

ELECTRIC SYSTEM PLANNING UPDATE

With the aid of overheads, Mel Damewood, Engineering Manager; Frank Lawson, Systems Engineering Supervisor and Richard Jeffries, Senior Engineer – EE/ME provided the

above update, and addressed clarifying questions and comments from the Board regarding urban growth boundary expansion, territory growth and possible takeover, and reliability.

WATER SYSTEM MASTER PLAN UPDATE

With the aid of overheads, Mr. Damewood, Wally McCullough, Water Engineering Supervisor, Laura Farthing, Senior Engineer-Civil presented the above update, and address clarifying questions and comments from the Board.

Commissioner Helgeson requested that staff communicate more information to customers regarding the plan for an additional water source (AWS), water system expansion, new rate design, etc.

Commissioner Brown requested that staff continue to address the inequity of the system development charge for varied elevations, and asked about the plan in place for Hayden Bridge water treatment plant if it experienced an outage.

President Mital asked staff if there are specific issues they would like the Board to weigh in on. Mr. Damewood replied that College Hill Reservoir would be one example.

CORRESPONDENCE & BOARD AGENDAS

General Manager Gray reminded the Board that the State of the City address will occur tomorrow night, January 7, at the Hult Center, and will include the swearing-in ceremony for Commissioners Brown and Simpson.

BOARD WRAP-UP

Commissioner Manning restated his desire to review the RFP and competitive bid processes but withheld a motion until he gets more background from General Manager Gray. He thanked Commissioner Brown and President Mital for their efficiency in the last year and congratulated Commissioner Brown and Vice President Simpson on their re-election to the Board.

Commissioner Helgeson stated that he is contemplating a vacation to Europe from mid April through mid May and will miss at least one Board meeting, and will provide more information once the dates are firmed up.

Commissioner Brown stated he will not be able to attend the February meeting.

Vice President Simpson voiced the desire to go to Washington, D.C. to assist with NWPPA and APPA lobbying efforts. General Manager Gray clarified that there will be two opportunities for assistance in that regard, and Commissioner Helgeson also voiced the desire to assist.

President Mital asked Vice President Simpson and Commissioner Helgeson to verify their interest with an e-mail to General Manager Gray in order to confirm the dates.

President Mital adjourned the Regular Session at 8:28 p.m.

Assistant Secretary

President

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a new contract with **General Pacific, Inc.** for the purchase of deadfront padmounted switchgear 15kV.

Backgrounder (if "yes," "See backgrounder information") No

Board Meeting Date: February 17, 2015

Project Name/Contract#: Deadfront Padmounted Switchgear 15kV/061-2014

Primary Contact: Mel Damewood Ext. 7145

Purchasing Contact: Sarah Gorsegner Ext. 7163

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Contract Amount:

Original Contract Amount: \$365,000

Additional \$ Previously Approved: \$0

Invoices over last approval: \$0

Percentage over last approval: 0%

Amount this Request: \$365,000 over 5 years

Resulting Cumulative Total: \$365,000 over 5 years

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: Formal Invitation to Bid

If applicable, basis for exemption: N/A

Term of Agreement: February 17, 2015-February 16, 2016

Option to Renew? Yes, renewable annually up to 5 years total.

Approval for purchases "as needed" for the life of the contract Yes

Form of Contract:

Single Purchase
 Services
 Personal Services
 Construction
 IGA
 Price Agreement
 Other

NARRATIVE:

The Board is being asked to approve a new contract with **General Pacific, Inc.** of Portland, Oregon for the purchase of 15kV deadfront padmounted switchgear on an as needed basis.

EWEB requires deadfront padmounted switchgear for use in EWEB's underground electric distribution system. Padmounted switchgear contains load break switches for sectionalizing the main line feeders and contains fuses for circuits tapping off of the feeders to prevent a fault on the tap circuit from tripping the feeder offline. The deadfront design minimizes the arc flash exposure to operating personnel for added safety. On Dec. 5, 2014, an Invitation to Bid was issued in order to establish a price agreement for the purchase of deadfront padmounted switchgear. The solicitation was reviewed by thirteen companies. Three bids were received and evaluated; General Pacific Inc. was determined to be the lowest responsive and responsible bidder.

Historical procurement data suggests that the total contract amount will be approximately \$365,000 over the total five-year period. The actual total dollar amount, however, is unknown and may be more or less than that estimated volume. Purchases will be based on need and not on any specific annual quantity. The annual cost will be within the amount budgeted for that specific year.

If approved, staff will purchase required deadfront padmounted switchgear at the established prices over the life of the contract. The contract is for one-year with the option to renew for four additional one-year periods.

ACTION REQUESTED:

Management requests Board approve a new contract with **General Pacific Inc.** for the purchase of deadfront padmounted switchgear on an "as needed" basis. Funds for these purchases were budgeted for 2015 and will be budgeted annually.

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____

EWEB BOARD AGENDA ITEM ACTION REQUEST
For Contract Awards, Renewals, and Increases generally over \$1 million

The Board is being asked to approve a new Contract with **Wright Tree Service, Inc.** for **utility line clearance.**

Backgrounder ("See backgrounder information") Yes

Board Meeting Date: February 17, 2015

Project Name/Contract#: Utility Line Clearance / RFP #055-2014

Primary Contact: Todd Simmons Ext. 7373

Secondary Contact: Roger Gray Ext. 7130

Purchasing Contact: Quentin Furrow Ext. 7380

Action Requested:

- Contract Award
- Contract Renewal
- Contract Increase
- Other

Contract Amount:

Original Contract Amount: \$16,000,000 over 5 years

Additional \$ Previously Approved: \$ N/A

Invoices over last approval: \$ N/A

Percentage over last approval: 0%

Amount this Request: \$16,000,000

Resulting Cumulative Total: \$16,000,000

Funding Source:

- Budget
- Reserves
- New Revenue
- Bonding
- Other

Contracting Method:

Method of Solicitation: Formal Request for Proposals

If applicable, basis for exemption: N/A

Term of Agreement: February 18, 2015 – February 17, 2016

Option to Renew? Yes – Annual renewals up to 5 years total

Approval for purchases "as needed" for the life of the contract Yes

Form of Contract:

- Single Purchase
- Services
- Personal Services
- Construction
- IGA
- Price Agreement
- Other

NARRATIVE:

The Board is being asked to approve a new Contract with **Wright Tree Service, Inc.** for **utility line clearance;** which includes: tree pruning and removal, stump grinding, and row mowing along EWEB transmission and distribution power lines on an ongoing regular basis.

The PUC requires EWEB to perform utility line tree clearance around its distribution and transmission lines. This is also an important component of safety and reliability of service. Electric Operations requires the services of a qualified utility line clearance tree pruning and removal contractor to maintain the areas around energized power lines.

In October 2014, staff solicited proposals for utility line clearance services. Four (4) proposals were received and evaluated. Wright Tree Service, Inc. of West Des Moines, Iowa was determined to be the highest ranked proposer. A notice of Intent to Award was sent to Wright Tree Service, Inc, pending Board approval

This contract, if approved, will be for one year with the option to renew up to four additional years. The services will be provided on an "as needed" basis to responsibly maintain the areas along EWEB's transmission and distribution lines. Exact service hour quantities are unknown and no guarantee has been made for any specific annual quantity of work. Therefore, this approval is requested based on "need" and not on any specific dollar amount. Staff estimates the total contract amount will be approximately \$16 million over 5 years.

ACTION REQUESTED:

Management requests Board approve a new contract with **Wright Tree Service, Inc.** for **utility line clearance.** Funds for these services were budgeted for 2015 and will be budgeted annually.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Todd Simmons, Distribution Reliability Manager & Julie Nuttall, Right-of-Way Vegetation Program Supervisor
DATE: February 6, 2015
SUBJECT: Utility Line Clearance
OBJECTIVE: Board Action: Tree Pruning and Removal Services Contract

Issue

This memo provides an overview of EWEB's tree program as it pertains to the utilization of a contract workforce and specific information regarding the results of the recent solicitation for tree pruning and removal services.

Background

For the past several years, EWEB has relied on contractors to accomplish tree pruning and removal work in the electric right of way. The current five-year contract for these services expired on January 31st, 2015, and was extended until March 31st, 2015. In November 2014, staff solicited proposals for utility line clearances services to establish a new five-year price agreement for these services. Based on the proposals and the scoring process, Wright Tree Service was determined to be the highest ranked proposer.

Discussion

The PUC requires EWEB to perform line clearance activities on the vegetation around its distribution and transmission lines. In September 2006 they passed OAR 860-024-0016, which regulates minimum clearances that electric service providers can allow vegetation to encroach on power lines of all voltages.

Maintaining vegetation in the rights of way is also an important component of safety and reliability of service. Trees can be a significant source of service interruption and a potential public safety threat if not adequately maintained in the vicinity of high voltage lines. EWEB has approximately 560 miles of overhead distribution and 127 miles of transmission power lines. There is also tree work associated with certain capital projects. EWEB requires the services of a qualified utility line clearance tree pruning and removal contractor to maintain the areas around the lines and to assist with capital work.

There were four submissions received and evaluated in the November 2014 solicitation. An estimated \$16 million over the five year period from 2015 to 2019 is needed to accomplish the work that will be provided by Wright Tree Service.

Requested Board Motion/Action

The Board is being asked to approve a new contract with Wright Tree Service for Utility Line Clearance, Tree Pruning and Removal Services. Funds for these services were budgeted for 2015 and will be budgeted annually.

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve an Intergovernmental Agreement (IGA) with **Lane Council of Governments (LCOG)** for **Water Quality Monitoring Technical Assistance Activities**.

Board Meeting Date: February 17, 2015

Project Name/Contract#: Water Quality Assistance Activities – IGA 15-0003

Primary Contact: Steve Newcomb Ext. 7391

Purchasing Contact: Ramie Alkire Ext. 7413

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Contract Amount:

Original Contract Amount: \$ 775,000.00

Additional \$ Previously Approved: \$ _____

Invoices over last approval: \$ _____

Percentage over last approval: 0%

Amount this Request: \$ 775,000.00

Resulting Cumulative Total: \$ 775,000.00

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: ORS190.010 IGA

If applicable, basis for exemption: Rule 6-0100 (1) (a)

Term of Agreement: January 1, 2015 – December 31, 2020

Option to Renew? No

Approval for purchases "as needed" for the life of the contract No

Form of Contract:

Single Purchase
 Services
 Personal Services
 Construction
 IGA
 Price Agreement
 Other

Narrative:

The Board is being asked to approve a new Intergovernmental Agreement with **Lane Council of Governments (LCOG)** for **Water Quality Monitoring Technical Assistance Activities**.

LCOG has provided design and development services for EWEB's drinking water monitoring database including integrating EWEB's water-quality database to GIS tools, assistance in analyzing and evaluating non-point source pollution in the McKenzie Watershed, developing a hydrologic model for the watershed, assisting with various GIS, LiDAR, modeling, and data analysis aspects that support implementation of the Voluntary Incentives Program pilot project. LCOG currently maintains all of EWEB's water quality, LiDAR, and GIS data.

The IGA shall be for a five year period; however, LCOG shall provide an annual Scope of Work detailing services and deliverables for each year of the IGA.

This new work for 2015, if approved, will focus on the maintenance and update of the EWEB drinking water database, continued non-point pollution source assessment and analysis support, research, data development, and analyses associated with EWEB's Voluntary Incentives Program, McKenzie Watershed Health Scorecard and Web-based Health Indicator Dashboard Development, update and redesign the McKenzie Watershed Emergency Response System (MWERS) website, and a range activities in support of on-going and in-development projects.

ACTION REQUESTED:

Management requests Board approve new Intergovernmental Agreement with **Lane Council of Governments (LCOG)** for **Water Quality Monitoring Technical Assistance Activities**. Funds for these services were budgeted for 2015 and will be budgeted annually.

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____

**RESOLUTION NO. 1501
FEBRUARY 2015**

**EUGENE WATER & ELECTRIC BOARD
Board Appointments, Board Committees, Advisory Committees and
Outside Liaisons**

WHEREAS, Board Policy GP12 provides for the use of committees, outside appointments and liaisons to staff work as a means of gathering and disseminating information, representing the Board and providing preliminary input to Board decisions; and

WHEREAS, Board Policy GP12 further states that all committees, outside appointments and liaisons be created by resolution and that all appointments to said committees, outside appointments and liaisons be made via resolution; and

WHEREAS, the Board met on January 6, 2015 and discussed potential appointments to current and existing committees, outside organizations and internal project teams; and

WHEREAS, the majority of the current and existing committees, outside appointments and liaisons were first established by resolution on October 3, 2006.

NOW, THEREFORE, BE IT RESOLVED that the Eugene Water & Electric Board appoints the stipulated individuals to those committees, appointments and liaisons for the year 2015 or as otherwise indicated.

Lane Council of Governments (LCOG) - Provides coordination among Lane County governmental agencies. Term of organization is ongoing, term of appointment is annual, and John Simpson is primary appointee with James Manning as alternate.

McKenzie Watershed Council - Fosters better stewardship of the McKenzie Watershed resources through voluntary partnerships and collaboration. Term of organization is ongoing. Term of appointment is annual and designated EWEB staff primary appointee with John Brown and John Simpson as alternate for staff support.

Other Post Employment Benefits (OPEB) - A Commissioner is not a voting member of the Section 115 Trust that has been set up to oversee EWEB contributions to the trust, the investment of funds, and measurement of the unfunded liabilities of the retiree medical plan. Term of appointment is ongoing and James Manning is the appointee.

Northwest Public Power Association (NWPPA) - NWPPA is an organization in the Western U.S. and Canada. They provide training and education, public information, communication, federal legislative coordination, surveys, data and networking opportunities and products and services for the utility industry. Dick Helgeson is appointee.

Changes in these assignments may be made at the direction of the Board.
Dated this February 17, 2015.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, TARYN M. JOHNSON, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the amended Resolution adopted by the Board at its February 17, 2015 Regular Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson

FROM: Erin Erben, Manager of Power Planning and Sibyl Geiselman, Energy Resource Analyst II

DATE: February 17, 2015

SUBJECT: EWEB Avoided Cost Rates

OBJECTIVE: Board Action – Approval of Resolution No. 1504

Issue

The Federal Public Utility Regulatory Policy Act (PURPA) requires that utilities buy power from certain “qualified facilities” at rates based on their “avoided costs” (that is, rates that should hold utility customers harmless from rate impacts). Under Federal and Oregon state regulations, EWEB is required to file with the Oregon Public Utilities Commission (PUC) power prices reflecting EWEB’s long-term avoided costs in each odd-numbered year and is allowed to make updates due to material changes in market or underlying portfolio conditions that would change the utility’s avoided cost profile. The attached Resolution is intended to update EWEB’s avoided costs based on the regular two-year cycle.

Background

Under PURPA, electric utilities have to purchase power from electric generation projects that meet certain size, fuel type and efficiency criteria. PURPA, passed in 1978, was one of the national responses to the oil shortages that decade. One of its primary purposes was to increase renewable generation and cogeneration¹.

Projects that met these criteria were known as *qualifying facilities*, or QFs. Under PURPA, electric utilities were required to pay QFs a rate equivalent to what the utility would have paid for power *but for* the QF. This rate is known as the avoided cost rate, essentially the cost to the utility of its alternative source of power².

It was left to the individual states to implement this Act. Under most circumstances, EWEB is not subject to regulation by the Oregon PUC, but EWEB is required to file a document listing EWEB’s long-term avoided costs with the PUC. The PUC does not review or approve this document, but merely files it and makes it available to anyone who asks to see EWEB’s rates.

Discussion

Avoided cost rates represent “standard offer” power purchase rates for all generation facilities that meet the criteria of the standard offer contract. Under Oregon’s PURPA rules, the standard offer rates only apply to facilities under 10MW of nameplate capacity, and projects above that size would need to pursue a non-standard contract and rate offering. In concept this is similar to EWEB’s Distributed Generation program, for which the Board approves rates annually and establishes which types of generation qualify.

EWEB has not been approached by any qualifying facilities since the last update. It is believed that our avoided costs have been too low for a developer to justify building a project in EWEB’s service territory.³ EWEB’s avoided costs are low because our power supply portfolio is currently surplus when compared to its

¹ Also sometimes referred to as Combined Heat and Power projects, cogeneration is more efficient, and yields more useful energy output from a given amount of natural gas or coal.

² Note that in the 1970s long-term power purchase contracts were uncommon; typically most utilities built their own generation.

³ Staff has occasionally received enquiries about our avoided costs over the years, but has not heard back once they learn how low our avoided costs are.

retail customer demand for energy. Essentially, this means that any additional power received from a QF would be sold into the wholesale power market since it would be surplus to retail need. Therefore, EWEB's avoided costs are based on the forecast price of the market power. This is consistent with the PUC's approved methodology.

Attachment 1 shows a table of EWEB avoided costs, by month, that management proposes to file with the PUC. These values were calculated by EWEB's long-term power planning model based on natural gas prices in early February.

TBL Assessment

The most recent IERP established that EWEB does not need additional long-term power purchases or resources beyond existing supply, except for very flexible peaking capacity. Beyond that, EWEB plans to meet all need for additional resources through conservation and energy efficiency measures. EWEB was also chartered to explore demand response programs as a way of addressing the flexible peaking capacity requirements on the horizon.

Even for QFs that are renewable resources or represent highly efficient use of natural gas, such as cogeneration facilities, EWEB simply does not need additional supply-side resources at this time. However, we are still required by federal and state laws to publish avoided costs and purchase the power produced from projects that meet PURPA criteria that choose to sell to EWEB at our posted prices. Under PURPA, EWEB is obligated to purchase that power at a fixed cost rate for up to 15 years, regardless of whether it needs the power to meet retail load requirements. This is why it is important that EWEB's avoided costs reflect the wholesale power market prices, because that is where QF power purchases would end up.

Because we recommend a policy that will likely result in no additional power purchases for EWEB, there is no anticipated change to prior triple bottom line assessments established in the IERP.

Recommendation

Management recommends that the Board approve the updated avoided costs provided in this memo.

Requested Board Action

Approve Resolution #1504 so that staff can file our updated avoided costs with the PUC, pursuant to state and federal regulations.

RESOLUTION NO. 1504
February 2015

EUGENE WATER & ELECTRIC BOARD
2015 Avoided Cost Filing

WHEREAS, the Federal Public Utility Regulatory Policy Act (PURPA) requires all electric utilities to purchase the generation from certain types of generation under long-term contracts at each utility's avoided cost; and

WHEREAS, the Oregon regulations ORS 758.525 require EWEB to file avoided costs with the Oregon Public Utilities Commission (PUC) at least every two years; and

WHEREAS, the Oregon PUC does not have jurisdiction over approving EWEB's avoided costs, but is required to file them for public availability; and

WHEREAS, the EWEB Board of Commissioners does have authority and responsibility to approve EWEB's avoided costs for purposes of PURPA; and

WHEREAS, EWEB staff have calculated updated avoided costs for 2015 through 2029 based on forecasts of wholesale power costs that management proposes to file with the Oregon PUC this month; and

WHEREAS, the Board has reviewed the background and need for updated avoided costs that will be paid to qualifying facilities under the PURPA regulations and approves these rates at its February 17th, 2015 Board Meeting.

NOW, THEREFORE, BE IT RESOLVED by the Eugene Water & Electric Board that the Board hereby approves the attached avoided costs rates as presented and proposed by management for years 2015 through 2029 until such time as the Board approves new values.

Adopted at a meeting of the Eugene Water and Electric Board on February 17th, 2015.

THE CITY OF EUGENE, OREGON
Acting by and through the
EUGENE WATER & ELECTRIC BOARD

President

I, TARYN M. JOHNSON, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its April 17th, 2012 Regular Board Meeting.

Assistant Secretary

**Attachment 1
EWEB's Avoided Costs during the 15 year fixed price period**

On-Peak \$/MWh

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2015	24.75	25.98	23.65	23.23	21.43	25.25	26.28	28.40	27.91	27.00	26.93	29.38
2016	29.07	30.23	27.75	27.52	25.16	30.70	31.43	34.47	33.95	33.24	34.77	35.84
2017	35.81	36.74	33.41	31.59	30.38	35.86	35.90	38.75	37.50	36.44	37.31	38.23
2018	38.50	40.14	35.72	33.28	31.11	36.11	37.77	40.66	39.46	38.94	39.70	40.34
2019	40.88	42.45	37.68	34.45	32.37	37.86	39.99	42.26	41.78	41.23	40.91	42.41
2020	42.53	44.76	38.60	36.01	33.99	40.05	42.03	43.84	43.67	42.81	43.23	45.11
2021	45.56	48.57	41.55	37.10	34.76	41.60	43.87	45.99	46.40	45.67	49.52	47.52
2022	47.40	50.34	43.59	38.46	36.35	43.63	45.55	48.70	48.37	49.40	50.71	51.66
2023	50.21	54.05	44.94	40.16	39.34	45.97	47.77	50.85	50.41	51.91	52.95	53.68
2024	52.60	56.45	46.85	41.54	39.48	45.30	49.26	52.70	52.43	53.85	53.08	55.43
2025	54.82	58.64	47.90	42.48	40.40	46.92	50.88	53.78	53.54	55.50	55.20	57.92
2026	56.55	61.11	49.62	44.41	41.23	48.67	52.50	56.01	55.36	56.81	57.76	60.41
2027	58.24	62.59	50.93	46.06	42.86	51.34	54.35	58.51	57.64	59.02	61.01	63.06
2028	60.79	65.19	53.96	46.98	45.70	54.19	56.46	61.00	59.50	62.16	63.71	64.46
2029	63.20	68.41	57.25	49.74	47.38	53.92	58.81	63.56	61.61	62.98	64.53	66.61

Off-Peak \$/MWh

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2015	21.96	22.37	19.96	18.96	15.53	19.00	20.95	21.74	22.71	22.79	23.21	25.35
2016	25.21	26.27	23.45	22.35	19.05	23.16	25.04	26.39	27.70	27.69	29.76	31.31
2017	31.45	32.27	28.48	26.28	23.44	26.96	28.51	29.42	30.71	30.74	32.34	33.45
2018	34.00	34.51	30.66	27.74	23.88	27.33	29.52	30.92	32.39	32.48	33.72	35.16
2019	36.02	36.47	32.19	29.22	24.88	28.33	31.00	32.42	34.33	33.99	34.64	36.82
2020	37.67	37.98	33.72	30.30	27.10	30.15	32.28	33.54	36.78	35.64	36.87	38.68
2021	39.24	41.10	34.66	31.69	27.23	31.34	33.54	35.42	38.60	37.60	41.31	40.86
2022	41.28	42.77	36.25	33.11	28.69	32.86	34.92	37.70	39.95	39.68	42.67	43.47
2023	43.56	45.06	38.02	34.26	30.98	34.40	36.71	39.45	41.80	42.03	44.57	45.43
2024	45.09	46.95	39.63	36.69	31.63	34.88	38.42	40.56	41.93	43.04	44.29	47.45
2025	46.92	48.72	41.22	37.88	32.71	36.03	39.69	41.68	43.54	44.40	45.37	49.21
2026	48.18	49.65	43.12	38.76	34.06	37.84	41.00	43.18	45.17	45.91	47.39	50.97
2027	49.66	51.56	44.48	40.76	35.67	39.72	42.68	44.99	46.71	47.79	50.36	52.71
2028	52.35	53.78	47.03	42.47	37.30	41.99	44.61	46.85	48.60	50.11	52.54	54.46
2029	54.55	56.32	49.38	44.38	39.34	42.54	46.52	49.04	49.82	51.66	52.52	56.28