MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

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

FROM: Susan Ackerman, Chief Energy Officer; Greg Brownell, Portfolio Management Supervisor; Mike McCann, Generation Manager; Jonathan Hart, Power Trader

DATE: March 6, 2018

SUBJECT: 2018 Power Market, Budget Hedging, and Generation Update

OBJECTIVE: Information Only

Issue

The purpose of this backgrounder is to provide an annual update of wholesale power markets.

Background

The Pricing and Portfolio Management department, along with Trading and Power Operations, manages EWEB's power supply and wholesale market activities consistent with utility financial objectives, in accordance with Board Policy contained in SD8, and as further described in the EWEB Energy Risk Management Procedures.

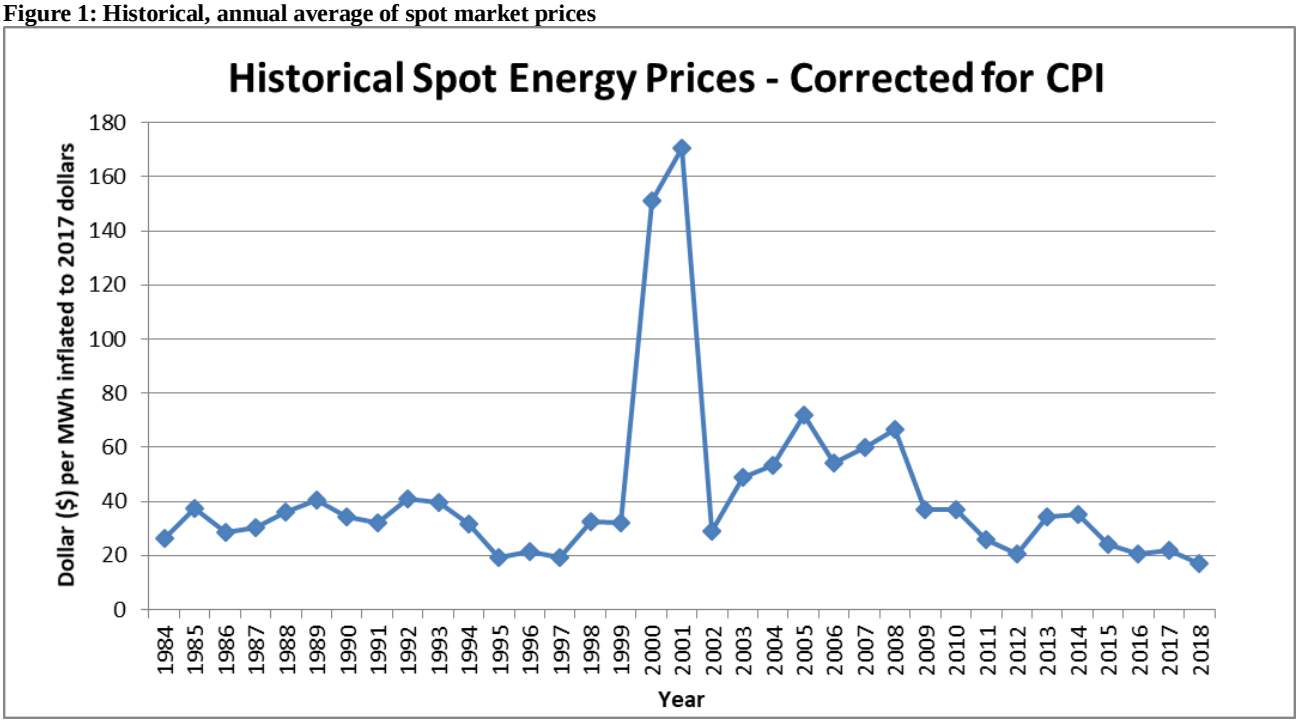
Discussion

Market Price Update

Wholesale energy markets can generally be described as either near term "spot markets" or longer term "forward markets" [1]. For spot markets, prices are impacted by weather (e.g., temperature and precipitation) and operational phenomena (e.g., generation and transmission availability), while forward markets reflect longer term market expectations of energy supply and consumer demand.

Year to date, northwest spot market prices are among the lowest seen in decades (See Figure 1). Several factors are contributing to these historic prices. The Columbia River Basin is currently on track to reach 110% of its normal water supply for the season (Oct-Sep). This ranks the water year 17th out of the last 58 years tracked by NOAA[2]. Season to date, the NW has been relatively warm compared to historical average temperatures. As a result, weak demand from regional retail consumption contributes to lower wholesale prices. Natural gas prices saw modest improvement in 2017, however they are expected to remain relatively flat in 2018[3], meaning volatile price change from near team gas fluctuations is not expected. Further, there is an excess of low cost energy, while demand remains flat resulting in little expectation that the 2018 spot market will look materially different than 2017.

Figure 1: Historical, annual average of spot market prices



[1] Spot markets typically refer to markets where commodities are traded for immediate (next day, next hour) delivery, whereas forward markets imply markets where the traded commodity is delivered in a future period.

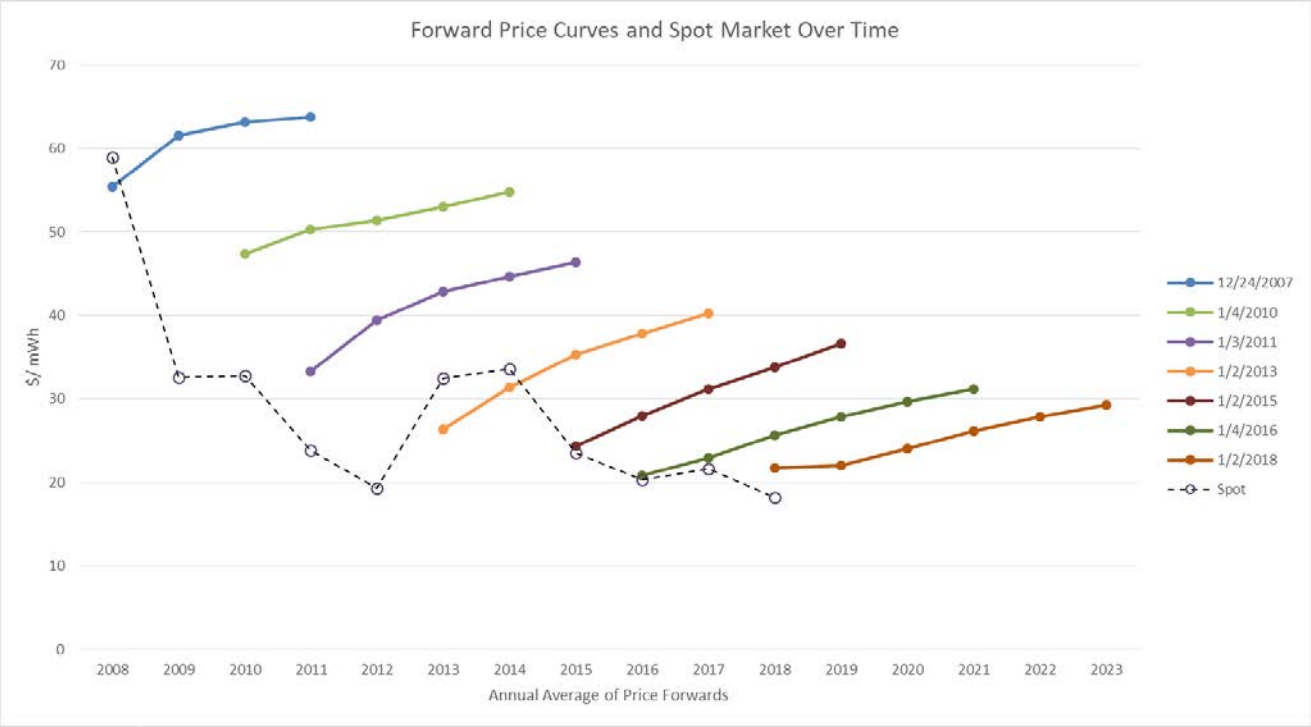
[2] https://www.nwrfc.noaa.gov/water_supply/ws_ranking.cgi?id=TDAO3&per=OCT-SEP

[3] https://www.eia.gov/todayinenergy/detail.php?id=34672

The drivers noted above also impact forward markets. As such, forward market prices continues to fall relative to historical norms. This pattern is further driven by continued expectations for low price natural gas, flat regional load growth, and the anticipated increases in renewable generation necessary to meet Oregon and Washington RPS mandates[4]. This update does not consider the market impact of various emissions regulations being considered by Oregon and Washington.

Figure 2 shows both forward market price curves, and spot market prices, over time. A forward curve reflects prices, which can be traded at today, for future periods of delivery. The first line reflects a forward curve was taken at the end of 2007. Trades executed during this time would likely reflect this sort of pricing. The subsequent lines reflect changing forward price curves for each year after that.

Figure 2: Historical forward price curves and spot prices



[4] http://www.pnucc.org/sites/default/files/file-uploads/2017%20PNUCC%20NRF.pdf

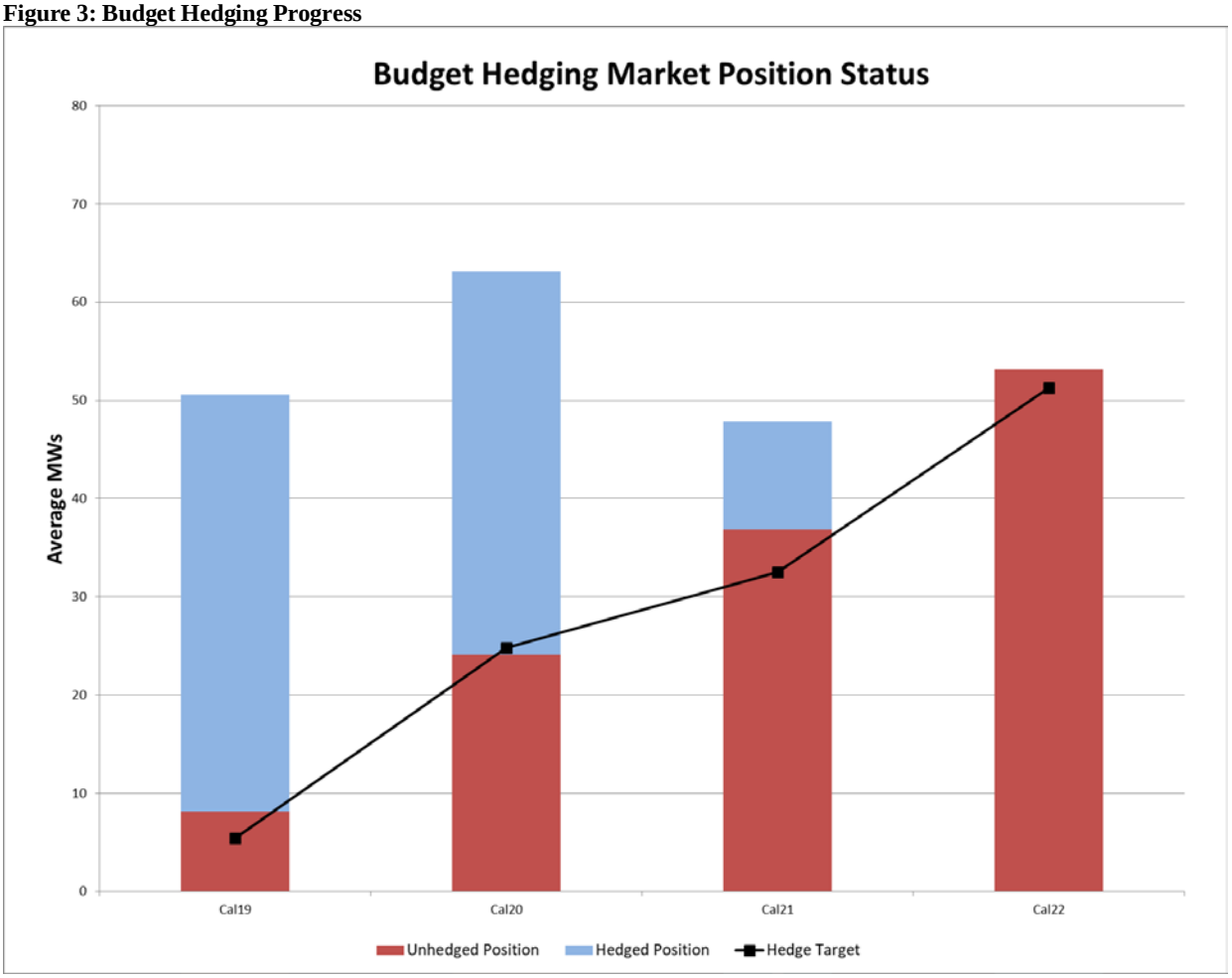
Surplus Position Hedging Update

Figure 3 shows EWEB's surplus market position for 2019-2022 based on the budget hydro assumption, 90% of expected hydro generation. The top of each stacked column indicates EWEB's original surplus market position. The blue bar represents the volume of energy hedged[5] by staff. The red bar represents the remaining unhedged surplus. The black line reflects the desired volume of hedging the RMC would like to achieve over time.

EWEB hedges a portion of its surplus position up to five years in advance. This provides two benefits: 1) it reduces financial exposure related to market prices; and 2) it results in sales executed at various times which diversifies the sales price by "dollar cost averaging" through time. This strategy results in near term years being fully hedged while year five is the least hedged, with interim years somewhere in between. Beyond five years EWEB does not hedge any surplus energy.

The value of all current executed hedges for forward periods is approximately $10M of forward value when compared to today's market. Said another way, EWEB has benefited by an estimated $10M compared to not hedging for the period from today through 2022.

Figure 3: Budget Hedging Progress



[5] A hedge is a trade or set of trades that reduces the market price exposure risk inherent in EWEB's portfolio length.

EWEB Owned-Generation Update

A number of EWEB's generating facilities will have significant capital project or maintenance outages in 2018. The Carmen Power Plant will be offline for turbine shutoff valve replacement work from April through October (see figure 4). The Stone Creek facility is scheduled to be offline for substation work for six weeks in September and October. The cogeneration facility at International Paper will be offline for a major maintenance overhaul in May and June. The other generation facilities are scheduled to have typical minor maintenance outages throughout the year. Excepting for unplanned revisions to schedule, these maintenances are included in the current budget.

The 2018 hydrologic year for the Oregon Cascades, which will affect EWEB's owned hydroelectric resources, looks to be well below average, with current snowpack estimates of approximately 35% of normal. In previous similar years, this has meant reduced generation from Trail Bridge, Leaburg and Walterville by early summer. Based on current flow projections, it appears that we may lose the ability to generate electricity from all three of these plants by late summer. The power generated from these facilities will need to be replaced through market purchases. However, it should be noted that because of the low flow condition on the McKenzie, the delayed TSV replacement at Carmen may prove to be well timed. Replacing the valve in 2017, a very good hydro year, would likely have resulted in a greater loss of generation than we are currently forecasting in 2018. Further, the impact of replacing the lost energy from the lower three McKenzie projects, if needed, should be relatively modest given the prevailing market conditions described above.

Other than the maintenance overhaul at the IP cogeneration facility, our other generating resources should be available and generating throughout the year.

Figure 4: New turbine shutoff valve

Requested Board Action - None

Water Capital Projects Quarterly Status Report
2017-Q4

Type 1 - General Capital

Project	2017 Budget	2017 YTD Actual	2017 Year-End Projection	Status/Comments
Source - Water Intakes & Filtration Plant	$1,030,000	$861,000	$800,000	Largest item was solids improvement project. Also included are costs incurred for treatment trailer equipment, a SCADA/Historian upgrade and close out work for the South Filter Upgrade.
Mains - Replacements, Improvements, & Trans.	$4,378,000	$4,264,000	$4,485,000	Largest component in this area is main replacements. Also included are main improvement projects. Projects in both these areas tracking well in 2017.
Services and Meters	$1,803,000	$2,381,000	$2,000,000	Includes both new services and meters as well as replacement of existing service lines. Costs exceeded budget as cost for precapitalized meters were added to the YTD actual. Without this adder, costs would have matched budget more closely.
Pump Stations	$1,236,000	$623,000	$900,000	Work this year included Upgrades at Santa Clara and Dillard 975 Pump Stations and design work for the new Crenshaw (reimbursable) and City View 1150 Pump Stations. Scaling back Laurel Hill Pump Station improvements significantly dropped year end projections.
Reservoirs	$103,000	$22,000	$50,000	2017 work included design work for new hatch/vent and ladders at the Crest 800 and 975 Reservoirs. The required reservoir outages were pushed to 2018 Q1 for operational reasons which delayed the work.

These categories will match the Capital Improvement Plans (CIPs) submitted by Water & Electric.

Type 1 - General Capital is budgeted Year-by-Year for recurring capital expenditures from January through December. Type 1 Capital includes categorized collections of projects of less than $1 million. Typical examples include "main replacements". This work typically involves dozens of jobs that add up to $3.5-4.5 million per year.

Type 2 projects have "discrete" scopes, schedules (launch through completion), and cost over $1MM during the project life, and project life can span multiple years

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Type 3 projects are large strategic programs with long term impacts.

Type 2 Rehabilitation & Expansion Projects

Project	2017 Budget	2017 YTD Actual	2017 Year-End Projection	Project Total Initial Plan	Project Total To-Date Actual	Project Total Project-End Projection	Schedule Start	Schedule Initial Planned Completion	Schedule Projected Completion	Status/Comments
Hayden Bridge Disinfection System Replacement	$700,000	$280,000	$400,000	$3,645,000	$280,000	$3,580,000	2017	YE-2018	Q1-2019	Replacement of gas chlorine system with on-site liquid hypochlorite system. Project currently in design. (Initial Plan - 2015 CIP)
Hayden Bridge Seismic Upgrades	$515,000	$244,000	$220,000	$1,215,529	$1,361,067	$1,440,000	2014	YE-2015	Q1-2018	Phase 1 (Basins and Filters) is complete. Phase 2 (Headhouse) deferred to 2017-2018. Phase 1 costs more expensive than anticipated while 2017 costs came in much less than anticipated. (Initial Plan - 2013 CIP)
Distribution System Scada/PLC Upgrades	$412,000	$110,000	$400,000	$3,079,780	$591,109	$1,300,000	2013	YE-2016	YE-2019	Multi-Year upgrade project. Completed Crest System. Currently working on Dillard and Willamette systems. Project complexities and staffing limitations are affecting schedule (Initial Plan 2013 CIP)
Hayden Bridge Standby Power Improvements	$1,030,000	$85,000	$450,000	$1,728,000	$111,666	$1,360,000	2015	YE-2017	Q1-2018	Design is complete along with prepurchase of two generators, one for Hayden Bridge Plant and one for Intakes along with electric equipment. Delays in design process have pushed purchase and construction to early 2018. (Initial Plan - 2015 CIP)
Hawkins Reservoir Improvements	$300,000	$154,000	$125,000	$2,067,000	$154,000	$2,110,000	2014	YE-2018	Q2-2019	Structural evaluations identified significant deficiencies with the existing reservoir. Due to high cost for improvements, shifting focus to constructing new reservoir as part of the Water Utility's plan for distributed base level reservoir. Adjustments will be made in 2018 Capital Plan to reflect change in focus. (Initial Plan 2016 CIP)

Type 3 - Strategic Projects & Programs

Project	2017 Budget	2017 YTD Actual	2017 Year-End Projection	Project Total Initial Plan	Project Total To-Date Actual	Project Total Project-End Projection	Schedule Start	Schedule Initial Planned Completion	Schedule Projected Completion	Status/Comments
Second Source of Supply	$1,830,000	$1,615,000	$1,700,000	Varied from $52M to $120M	$2,495,000	$67,000,000	2014 with Planning	YE-2021	YE-2030	Project has been deferred to the later years of the ten year CIP. For 2018 this project will be replaced with the Emergency Water Supply Project

Total Water Capital (Excluding Shared Services)	$13,337,000	$10,639,000	$11,530,000	80%	year end actual to budget
Type 1, 2 Capital (Excluding Shared Services)	$11,507,000	$9,024,000	$9,830,000	78%	year end actual to budget

Management Notes: Overall Water's larger Type 1 projects tracked well with budget. Our largest item in this area, Main Replacements and Improvements ended the year at approximately 97% of budget spent. Water did struggle with the Type 1 Pump Station work. The 2017 work included many communication and control projects and the associated complexities affected Water's ability to get the work done. We are taking a step back in 2018 to focus on standards and long term planning to prevent this issue from occurring in the future. On the Water Type 2 projects, we are tracking low as design issues have delayed the start of construction on a couple projects to 2018. In addition, completed structural evaluations have caused the Water Utility to change the focus on the Hawkins Reservoir Rehabilitation delaying expenditures in this area. Type 3 projects are marked yellow for EL1 report due to project deferral. This project will be replaced by the Emergency Water Supply program in 2018. Overall, water has $13,337,000 budgeted for capital in 2017 (adjusted for the April True-Up) and spent approximately 80% of that amount. Engineering's target is attain at least 90% expenditures of the capital budget amounts which the Water Utility has exceeded for the past several years. In 2017 we were below target primarily due to the issues on the Type 2 projects noted and also the Type 1 Pump Station Work.

Capital "EL1" Report: Electric, 2017 -Q4

Type 1 - General Capital

Note - Changes from previous report(s) are in **BOLD**

Capital Category	2017 thru Q4 Budget	2017 thru Q4 YTD Actual	Status/Comments
Electric Infrastructure - Generation	**$1,196,000 (Note 2)**	**$491,537**	**New canal flow meter/seepage collection improvements in WV operational. New rec trail at LB complete. Seismic early warning monitoring stations at LB and Carmen operational and pilot ShakeAlert automation bench testing underway. Emergent capital work at Stone Creek (failed generator relay) and delayed completion of LB roll gate punch list items (Type 2) more than offset by LB-WV Type 1 capital deferred to compensate. Combined Type 1/2 Generation spending at 75% of budget. -ZINNIKER**
Electric Infrastructure - Substations	**$1,780,000**	**$1,570,067**	**Type 1 Projects ended at 88% of budget. Underspend due to transfer of funds for microgrid project from this sub project; this change was not accounted for in previous projection. Bertelsen 115kV breaker and switch replacement is completed and commissioned which maintains system reliability for 115kV system infrastructure. 15kV breaker replacements at three stations were completed as part of the feeder breaker replacement program to prevent outages to customers due to equipment failure. All remaining planned projects completed and closed out - RTU replacements, battery replacements. - NICE**
Electric Infrastructure - Telecom	**$250,000**	**$297,986**	**No EWEB driven work was completed this year. 118% of planned spending was completed. $200k of this years spending was transferred from the Downtown Fiber Project which consisted of installations at Broadway, 10th and Willamette. $35k was for River Road Elementary and UofO laterals. - NICE**
Electric Infrastructure - Transmission & Distribution	**$7,065,000**	**$8,563,405**	**Customer reimbursable work ended at approximately 50% ($869k/$1.6M) in part due to the change from smaller projects to larger projects which results in a lag in payments to EWEB due to extended project schedules. Renewal and replacement work was accelerated and additional scope was completed due to EWEB's capacity to complete more work via an EWEB hired contractor. This resulted in an overspend of $1.8M and allowed for completion of the PUC Neutral extension program. Enhancements and Additions to the distribution system spending was as planned with a slight under spend of $155k. The actual spend projection shown includes pre-capitalized transformers of which have spent to date (approximately $1M). -BRECKENRIDGE**

These categories match the Capital Improvement Plans (CIPs) submitted by Water & Electric.

Type 1 - General Capital is budgeted Year-by-Year for recurring capital expenditures from January through December. Type 1 Capital includes categorized collections of projects of less than $1 million. Typical examples include "pole replacements" as part of Transmission & Distribution. This work typically involves many small projects that up to $1.2-$1.7 million per year.

Type 2 projects have "discrete" scopes, schedules (launch through completion), and cost over $1MM during the project life.

Type 2 Rehabilitation & Expansion Projects

Project	2017 thru Q4 Budget	2017 thru Q4 YTD Actual	Project Total Initial Plan	Project Total To-Date Actual	Project Total Project-End Projection	Schedule Start	Schedule Initial Planned Completion	Schedule Projected Completion	Status/Comments
Leaburg Dam Roll Gate Hoists	**$0**	**$411,419**	$5,150,000	**$6,699,554**	$6,900,000	Jul-2012	Nov-2014	Oct-2018	**All three hoist systems released for full automatic operation in Q1. Final payments to contractors pending delivery of record drawings and final O&M manuals. -ZINNIKER**
Downtown Fiber Network	**$600,000**	**$70,556**	**$2,100,000**	**$520,103**	**$2,100,000**	**Mar-2017**	**Dec-2018**	**Dec-2018**	**Crews have begun installing fiber microduct for the Downtown Network. Grant with City of Eugene has been cancelled. Funding started in Capital and moved to O&M because the City will retain ownership of the installed equipment. EWEB will proceed with the remainder of the project in 2018. -NICE**
Advanced Meters	**$688,000**	**$673,033**	**$6,638,000**	**$957,000**	**$12,000,000**	**Oct-2013**	**Dec-2025**	**Dec-2025**	**Approximately 4,000 Electric Meters have been replaced in total on an opt in basis. These included strategic deployments where meter locations pose a high safety risk to meter readers, and locations with numerous services (i.e.: apartment buildings). Additional installations include new services and retrofitted services with communication turned off where applicable per existing deployment guidelines. Deployments have been tracking at approximately 500 per month commissioned. - NICE**
Electric Master Plan	**$925,000**	**$129,212**	**$1,250,000**	**$129,213**	**$600,000**	**Jul-2016**	**Dec-2016**	**May-2019**	**This land is for the purpose of the future Thurston Substation reconfiguration and source protection. A portion of the acquired property is not needed for utility purposes and, therefore, the intent is to divide this parcel for use only for the substation expansion and source protection where Cedar Creek enters the McKenzie. The partitioning of the parcel is resulting in delay of the purchase until early 2019, and a cost decrease to $600k. This purchase delay does not pose a critical path impact to the overall project at this time (2024 planned substation expansion). -NICE**
Upriver Re-Configuration/Holden Ck. Substation	**$4,457,000 (Note 1)**	**$4,814,018**	$3,000,000	**$5,392,735**	**$5,830,000**	Jan-2014	Oct-2015	**Sep-2018**	**Holden Creek substation is now substantially complete and internal crews have completed offline system commissioning. The over budget of $400k was due to an prepayment for BPA design and construction which was planned for 2018 payment. In April 2018 the station will be tied into the Cougar-Thurston line, energizing the 115kV bus work. Transformer and switchgear energization as well as transferring distribution feeder load from the Leaburg Substation to Holden Creek will occur in June following BPA's execution of line impairment work comprised mainly of shrub and dirt removal to allow for adequate clearance. Downsizing of Leaburg Substation, and full commissioning of Holden Creek is planned for the end of Q3 2018. This outage is coordinated with generator outages in the low water period. -NICE**
Downtown Distribution Network	**$1,000,000 (Note 1)**	**$961,733**	$15,000,000	**$5,668,118**	$20,000,000	Sep-2010	Dec-2015	**Dec-2028**	**2017 Total shown includes Pre-capped materials (network protectors & transformers); spending ended at 96% of budgeted. Downtown Network protector replacements have been completed in 2017 at vaults which supply the following loads: Lane County Building, Hilton, US Bank, Hult Center, U of O Baker Building, Eugene Library, Federal Building. -NICE**
Grid Edge Demonstration Project	**$837,000 (Note 1)**	**$140,988**	$1,200,000	**$140,988**	**$1,200,000**	**May-2016**	**Jun-2017**	**Oct-2018**	**Project direction finalized to include an installation at one 4J site in 2018 instead of 2017 as planned. Electric division and Water division are coordinating to deploy an additional 5 schools in next 5 years. Design-build RFP for turn key installation at Howard Elementary is planned for March board approval. Procurement and delivery of materials scheduled for end of Q2 of 2018 with installation and commissioning planned for Q3 of 2018. -NICE**
Jessen Substation Reconfiguration	**$0**	**$0**	**$125,000**	**$0**	**$0**	**Mar-2017**	**Dec-2018**	**Dec-2019**	**Initially planned to do design work in 2017 and construction in 2018 however project execution pushed out to 2020 to focus on the resilient spine. -NICE**

Type 3 - Strategic Projects & Programs

Project	2017 thru Q4 Budget	2017 thru Q4 YTD Actual	Project Total Initial Plan	Project Total To-Date Actual	Project Total Project-End Projection	Schedule Start	Schedule Initial Planned Completion	Schedule Projected Completion	Status/Comments
Carmen Smith License Implementation	$11,700,000	**$5,278,126**	$135,000,000	**$43,139,282**	$129,500,000	May-2009	Dec-2021	Dec-2025	**The Project End Projection has been updated to reflect the 2016 Settlement Agreement that has been filed with the FERC. Staff has completed and filed the revisions to the FERC exhibits and the Biological Assessment. We expect the license to be issued no earlier than Q3 of 2018. Implementation of 5-year plan to address aging infrastructure at Carmen Powerhouse underway. The Carmen Power Tunnel was successfully dewatered and inspected in October with minor repairs required in 2018 outage. The turbine shutoff valves were delivered late, so installation was re-scheduled to begin in May 2018 with intent to complete by the end of October 2018. Design and procurement of equipment for rebuilding the substation in 2019 and first unit rehab in 2020 has also begun. -(ZINNIKER, BOYLE)**

Total Electric Capital (Excluding Shared Services)	**$29,810,000**	**$23,402,080**	**77%**

1. Budget amounts are adjusted to reflect changes presented and approved by the Board on April 4, 2017 (April True Up)

Management Notes: Year end total expenditures vs. budget for Type 1 & Type 2 work combined was 98% excluding Shared Services and Type 3, and 77% including Type 3 (Carmen) for the overall Electric Division budget (with precap materials included). Type I expenditures year end is at 118% of budget vs. actual ($10.3M). Type II spending ended at 85% of budgeted. .

Capital "EL1" Report: Shared Services, 2017-Q4

Type 1 - General Capital

Note - Changes from previous report(s) are in **BOLD**

Capital Category	2017- Q4 Budget	2017- Q4 YTD Actual	Status/Comments	
General Plant - Information Technology (I.T.)	$1,185,355	$1,860,732		**Telecom, Core Switch, LB/WV Edge Switch Replacement, and Wireless Infrastructure Project work underway. POs created and not yet paid against. (Bach)**
General Plant - Buildings & Land Management	$1,322,000	$646,926		**The HQ Elevator work is complete. Waiting for final close out documentation from Kone in order to pay final invoices. (Wahto) Work completed on the ROC Communications Tower as of EOY 2017 includes fence modifications and gate installations, racking relocation and completion of new racking foundations temporary fencing installation, site prep (grubbing and leveling), shelter and tower foundations, as well as some conduit and trench work. (Wolfe)**
General Plant - Electric& Water Fleet Capital	$610,000	$285,292		**As part of our Affordability Initiative, we were able to reassign underutilized fleet assets to areas in the utility that were needing vehicles and equipment replaced. By extending the life cycles of some of the fleet, we were able to deferring several projects in 2017. (Lentsch)**

In the future, these categories will match the Capital Improvement Plans (CIPs) submitted by Water & Electric.

Type 1 - General Capital is budgeted Year-by-Year for recurring capital expenditures from January through December. Type 1 Capital includes categorized collections of projects of less than $1 million. Typical examples include "pole replacements" as part of Transmission & Distribution. This work typically involves many small projects that add up to $1.2-$1.7 million per year.

Type 2 projects have "discrete" scopes, schedules (launch through completion), and cost over $1MM during the project life.

Type 2 Rehabilitation & Expansion Projects

Project	2017 - Q4 Budget	2017 - Q4 YTD Actual	Project Total: Initial Plan	Project Total: To-Date Actual	Project Total: Project-End Projection	Schedule: Start	Schedule: Initial Planned Completion	Schedule: Projected Completion	Status/Comments	
AMI Information Technology & Integration	$1,930,000	$2,338,152	$6,475,700	$5,370,059	**$6,475,700**	May-2015	Dec-2017	May-2018		**Q4 2017 - Automated meter-to-bill process is in place for 2% of customer meters, and eight-year full deployment has begun. Additional software integration work is expected to continue through the end of Q2 2018. (Jones)**
Customer Information System (CIS) Replacement	$1,500,000	$238,200	$9.7M	$238,200	**$11,150,000**	Sep-2016	Aug-2018	mid to late-2019		**Projected spending lower than anticipated due to availability delay in third party resources. (Moe)**

Total Shared Services Capital (This Report)	**$6,547,355**	**$5,369,302**	**74.85%**

Note(s) 1) April 2017 true-up budget numbers are reflected as Budget, as approved by Board on April 4, 2017.

Management Notes: Type I IT Projects are on track and on schedule. This is good news since in the past these projects have lagged for various reasons. As per the April True Up, Fleet Capital was reduced significantly due to a re-assessment of future fleet needs and strategy. AMI is progressing forward in current Opt In Strategy. Projected spending is in the 82% range for end of year, largely driven by the cancelation of HQ Fire Alarm System Upgrade and the shift to O&M from Capital by Facilities.

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO:	Commissioners Brown, Carlson, Mital, Simpson and Helgeson
FROM:	Frank Lawson, General Manager
DATE:	February 28, 2018
SUBJECT:	Annual Community Investment Report
OBJECTIVE:	Provide Board with overview of grants, donations and other community investment activity in 2017

Issue

EWEB invested more than $17.7 million back into the community in 2017. Guidelines are in place to ensure consistency and transparency for how we invest our customers' dollars for the betterment and well-being of the community we serve. The attached report provides the Board with a high-level overview of the program in 2017.

Background

EWEB's Community Investment Program includes mandated investments, fundraising activities, employee volunteerism, community service projects, events, sponsorships and donations. The vast majority of EWEB giving is mandated (by our charter, FERC license agreements, etc.), part of utility approved programs (e.g. drinking water source protection, GreenPower, etc.) or Board-directed.

A small annual budget is allocated for "discretionary" giving. In November of 2017, the Board approved Resolution 1726, modifying Board Policy EL3, authorizing the General Manager's Office to accept, review and authorize requests for sponsorships, donations and in-kind services that align with EWEB's mission, vision and values, and are within authorized annual budgets. Approved disbursements will support the priorities set forth in EWEB's Strategic Plan and be administered in ways that provide broad benefits to our community.

Many of the 2017 discretionary investments were made prior to the approval of Resolution 1726.

Requested Board Action

None. This is informational only as required by Board Policy EL3.

Eugene Water & Electric Board
2017 Community Investment Report

Investment priorities

Using the guiding principles of EWEB's strategic plan and investment priorities - *people, economic and workforce development, and environment* - allows us to help fund important programs that align with good financial responsibility and spending at sustainable levels that our customer-owners can afford.

Recognizing our resources belong to our customer owners and community, we focus our efforts on maximizing the broadest benefits of our essential services for all customers. We also work to emphasize programs and leverage partnerships with other institutions that support vulnerable members of our community.

EWEB exists for the benefit of our local community – and we are proud to help power it.

PEOPLE

Community Safety Net
Helping people regain stability in times of hardship.

Diversity
Increasing equity, diversity and opportunity in our community.

Emergency Preparedness
Encouraging personal preparedness and a disaster-resilient community.

ECONOMIC AND WORKFORCE DEVELOPMENT

Education
Inspiring and preparing students to succeed in careers of the future.

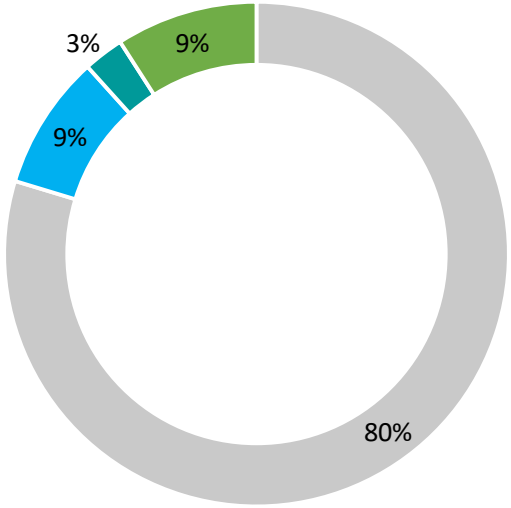
ENVIRONMENT

Water
Highlighting the importance of drinking water systems, promoting water quality and reliability, and encouraging stewardship of resources for future generations.

Energy
Promoting energy efficiency and renewable energy projects.

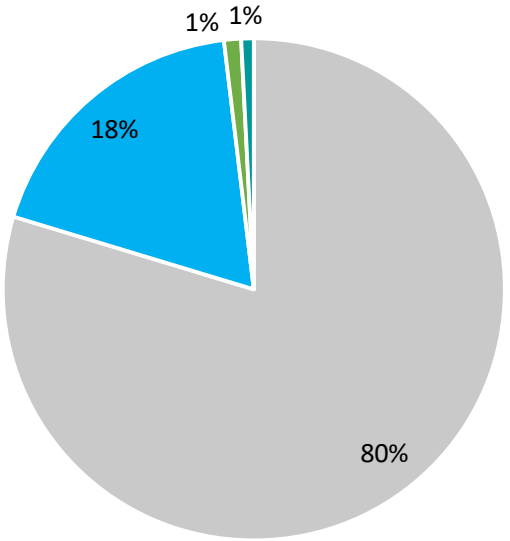
Total 2017 investment: **$17,710,075**

By Giving Priority



- Mandated: $14,110,756
- People: $1,530,827
- Economic & Workforce Development: $458, 455
- Environment: $1,595,037

By Giving Category



- Mandated: $14.1M
  (e.g. CILT, FERC-required)
- Board Directed: $3.3M
  (e.g. Education, Limited Income, Watershed Protection)
- Customer Voluntary: $195K
  (Greenpower)
- Discretionary: $142K
  (Donations, sponsorships)

INVESTMENT AREA	CATEGORY	AGENCY	EVENT/PROGRAM/DESCRIPTION	AMOUNT	TOTAL
ECONOMIC/WKFC DEVELOPMENT: Education	Board Directed	Eugene 4J School District	Ed Program Annual Grant	$ 247,000	
ECONOMIC/WKFC DEVELOPMENT: Education	Board Directed	Bethel School District	Ed Program Annual Grant	$ 77,000	
ECONOMIC/WKFC DEVELOPMENT: Education	Board Directed	Springfield School District	Ed Program Annual Grant	$ 47,000	
ECONOMIC/WKFC DEVELOPMENT: Education	Board Directed	McKenzie School District	Ed Program Annual Grant	$ 21,000	
ECONOMIC/WKFC DEVELOPMENT: Education	Board Directed	Lane Community College	Ed Program Annual Grant	$ 35,000	
ECONOMIC/WKFC DEVELOPMENT: Education	Discretionary	McKenzie Watershed Council	Salmon Watch tours to Carmen-Smith for Fall 17/18	$ 8,000	
ECONOMIC/WKFC DEVELOPMENT: Education	Discretionary	South Eugene High School	Robotics Challenge	$ 1,000	
ECONOMIC/WKFC DEVELOPMENT: Education	Discretionary	Eugene 4J School District	Solar Challenge	$ 19,655	
ECONOMIC/WKFC DEVELOPMENT: Education	Discretionary	Willamette High School	Electrathon Blast	$ 1,000	
ECONOMIC/WKFC DEVELOPMENT: Education	Discretionary	Willamette High School	EWEB Kilowatt Classic EV Races	$ 1,800	**$ 458,455**
ENVIRONMENT: Energy Efficiency/Renewable	Discretionary	BRING Recycling	Sponsorships: Home & Garden Tour, re:think Business/School Programs	$ 12,337	
ENVIRONMENT: Energy Efficiency/Renewable	Customer Voluntary	Bethel School District / Kalapuya High School	Spring 2015 Greenpower Grant (Final 2 Payments)	$ 25,000	
ENVIRONMENT: Energy Efficiency/Renewable	Discretionary	University of Oregon	Home Energy Score Intern Program	$ 3,000	
ENVIRONMENT: Energy Efficiency/Renewable	Board Directed	EWEB Limited Income Weatherization Services	Limited Income Energy Efficiency and Water Conservation	$ 835,000	**$ 875,337**
ENVIRONMENT: Water Quality/Reliability	Discretionary	Encircle Films	UPRIVER Film Screening	$ 300	
ENVIRONMENT: Water Quality/Reliability	Discretionary	Eugene Marathon	2016 Sustainable Water Bottles	$ 3,000	
ENVIRONMENT: Water Quality/Reliability	Discretionary	Eugene Marathon	2017 Sustainable Water Bottles	$ 1,500	
ENVIRONMENT: Water Quality/Reliability	Discretionary	Local Food Connect	Annual Event	$ 4,000	
ENVIRONMENT: Water Quality/Reliability	Discretionary	McKenzie Watershed Council	Annual Donation	$ 15,000	
ENVIRONMENT: Water Quality/Reliability	Discretionary	McKenzie River Trust	McKenzie Memories	$ 2,500	
ENVIRONMENT: Water Quality/Reliability	Board Directed	McKenzie River Trust	Homewaters Campaign (Finn Rock)	$ 500,000	
ENVIRONMENT: Water Quality/Reliability	Discretionary	McKenzie Watershed Council	Matching Funds for MWA's WATERS Program - EPA Grant Award	$ 37,000	
ENVIRONMENT: Water Quality/Reliability	Discretionary	Springfield Utility Board	Lane County Fair - Co-host Sponsorship for "Comfort (Water) Station"	$ 900	
ENVIRONMENT: Water Quality/Reliability	Discretionary	Water For People	Wine for Water Auction Benefit	$ 500	**$ 564,700**
PEOPLE: Diversity/Equity	Discretionary	Blacks in Government	Black History Month Dinner - Table Sponsorship	$ 600	
PEOPLE: Diversity/Equity	Discretionary	Zonta Eugene/Springfield	Donation - Annual Luncheon	$ 200	
PEOPLE: Diversity/Equity	Discretionary	NAACP	2017 Freedom Fund - Table Sponsorship	$ 750	**$ 1,550**
PEOPLE: Emergency Preparedness	Discretionary	American Red Cross	Donation from sale of emergency water containers	$ 3,400	**$ 3,400**
PEOPLE: Safety Net	Discretionary	St. Vincent de Paul	Egan Warming Centers	$ 3,000	
PEOPLE: Safety Net	Discretionary	St. Vincent de Paul	Diaper & Coat Drive / First Place Family Center	$ 2,000	
PEOPLE: Safety Net	Discretionary	St. Vincent de Paul	SVDP Youth House	$ 7,700	
PEOPLE: Safety Net	Discretionary	Community Supported Shelters	General Fund Assistance	$ 2,500	
PEOPLE: Safety Net	Discretionary	NA (David Schrock)	Donation to family of deceased lineman	$ 1,000	
PEOPLE: Safety Net	Discretionary	Bags of Love	Donation / Employee Drive for Requested Items	$ 1,000	
PEOPLE: Safety Net	Discretionary	Shelter Care	50% of costs to repair HVAC system	$ 3,677	
PEOPLE: Safety Net	Discretionary	Run to Stay Warm	Sponsorship	$ 5,000	
PEOPLE: Safety Net	Board Directed	EWEB Limited Income Bill Assistance	Limited Income Bill Assistance	$ 1,500,000	**$ 1,525,877**
REQUIRED	Mandated	City of Eugene General Fund	CILT	$ 13,404,443	
REQUIRED	Mandated	City of Springfield	CILT	$ 619,982	
REQUIRED	Mandated	McKenzie Watershed Council	FERC License Required Habitat Enhancement	$ 86,331	**$ 14,110,756**
ENVIRONMENT: Greenpower Program	Customer Voluntary	EWEB Solar Program	Greenpower Solar Incentives	$ 150,000	
ENVIRONMENT: Greenpower Program	Customer Voluntary	Buena Vista Elementary	2016 Greenpower Grant disbursement	$ 20,000	**$ 170,000**
					$ 17,710,075

A Sense of Community

EWEB employees logged over 500 hours of volunteer time in 2017 and donated more than $34,000 to local non-profit organizations. We do this work because, as a customer-owned utility, our role in the community is more than a provider of water and electricity. We are committed to strengthening the community and enhancing the quality of life for the people we serve.

EWEB exists for the benefit of our local community – and we are proud to help power it.

2017 by the numbers

$427,000
K-12 Education Grants

$31,455
School Programs & Sponsorships

$195,000
Greenpower Solar Incentives and Grants

$1.5M
Limited Income Customer Care Program

$18,184
Net proceeds raised by Run to Stay Warm

5,657
Households helped through Customer Care

1007
Households enrolled in Energy Assistance

$835,000
Limited Income Energy Efficiency and Water Conservation Programs

197
Customers helped through Low Income Weatherization

$638,331
Watershed Protection

$22,087
Sponsorships for Community Events

$34,123
Employee Charitable Giving Donations

500+
Employee Volunteer Hours

$14M
Contributions in Lieu of Taxes

Our partners

We believe that collaborating with employees, customers, and non-profit organizations is the most effective way to address community challenges. Here's a snapshot of the variety of partners we supported in 2017.

American Red Cross
Bags of Love
Bethel School District
Blacks in Government
BRING Recycling
Buena Vista Elementary
Butte to Butte
City of Eugene and City of Springfield
Community Supported Shelters
Encircle Films
Eugene 4J School District
Eugene Marathon
Food for Lane County
Friends of Buford Park
Friends of Trees
Lane Community College
Local Food Connect
McKenzie River Trust
McKenzie School District
McKenzie Watershed Council
NAACP
Shelter Care
SOLVE Oregon
South Eugene High School
Springfield School District
St. Vincent de Paul
United Way
Water For People
Willamette High School
Zonta Eugene/Springfield

MEMORANDUM
EUGENE WATER & ELECTRIC BOARD
Rely on us.

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

FROM: Rod Price, Chief Electric Engineering & Operations Officer, Tony McCallum, Line Crew Leader II, Tom Ossowski, Engineer, Tyler Nice, Systems Engineering Supervisor

DATE: February 23, 2018

SUBJECT: Electric System Outage Reduction Opportunities

OBJECTIVE: Status Update

Background
During the October 2017 Board meeting discussion of electric outage process updates, the Commissioners expressed an interest in projects that are aimed at helping reduce the impacts of future storm events. The EWEB Electric Division staff has been engaging in budget and project planning for 2018 and 2019. This backgrounder will review the resulting plans for projects in 2018 as well as upcoming work in 2019-2020.

Summary Update
In the third quarter of 2017, EWEB Electric Division staff created a cross departmental distribution planning group comprised of stakeholders from engineering, planning, troubleshooters, dispatch and overhead and underground crew leaders. Finance staff play a role to assist in budget reporting and planning for future FEMA work associated with the December 2016 Ice Storm as well as standardizing tracking and documentation of work to ensure re-imbursement. The charter for this group is to plan future distribution work consistent with EWEB's strategic objectives: increasing resiliency while maintaining reliability.

The group's initial focus was to divide the 2018 Type 1 Renewal and Replacement budget into distinct categories in order to have defined spending targets so that progress and performance can be tracked throughout the year. Creating targets for the different types of projects has allowed for staff to prioritize spending in line with goals for the electric division, as well as aligning with outage data we collect. The work can be divided into two main categories, those aimed at preventing customer outages (resiliency, reliability), and work to repair customer outages due to unanticipated equipment failure (restoration). Preventative work planned for 2018 is expected to reduce risk of outages for approximately 8,600 customers.

A summary of these spending targets are included in Table 1.

Table 1
2018 Type 1 Renewable and Replacement Budget

Project Categories	Budget	Resiliency, Reliability	Restoration
Conductor/Cable Replacements	$884,000	X	
Pole Replacements	$390,000		X

PUC Corrections	$390,000	X	
Live Front Switch Replacements	$598,000	X	
Transformer Replacements	$338,000		X
Total	**$2,600,000**	**$1,872,000**	**$728,000**

2018 Project Details

Type 1 Renewable and Replacement budget has beneficial elements for both resiliency and reliability; with a heavier weighting on maintaining reliability. Some of these categories are emergent based equipment failure, and have been developed by analyzing historical outage budget performance. Examples of this would be allotting money for car-hit-pole events, underground cable failures, or transformer failures. Additionally, PUC compliance driven work is captured in this budget which has been reduced from previous years, because of EWEB's completion of the neutral program.

Most notable in this budget are the strategic elements which involve decisions based on system and customer impact and are influenced by company objectives. The "Conductor Replacements" and "Live Front Switch Replacements" category budgets were increased from previous years to reflect a desire to increase resiliency and maintain reliability.

Of the $884,000 "Conductor Replacement" category, $618,000 of this is planned for cable replacements which will directly benefit customers by reducing probability of future outages through proactive replacement. In 2018, Spring Creek Substation get away cables, which are at the end of their projected life, will be replaced in coordination with a substation outage to replace breakers, switches and relays. Get away cables are underground conductors which exit feeder breakers at the substation and run to the first switch. These cables have a high impact to system reliability metrics because they feed 4,169 customers. This project accounts for $432,000. Spring Creek cables were chosen due to opportunistic efficiencies gained by coordinating the work with an already planned outage; and Spring Creek cannot be back fed from another substation if there is a cable failure. Ensuring these cables are in good condition is important to maintaining reliability for these customers.

Pad mounted switches allow for reconfiguration of the distribution system due to planned or emergent outages. Live front switches are a type of pad mount switch that are some of EWEB's oldest and least reliable switches and they are reaching the end of their projected life. Live fronts also expose EWEB personnel to high voltages once the enclosure door is opened. EWEB's current standard is dead front switches, which provide EWEB personnel with the extra safety of a grounded metal panel in front of the live bus. As a result of the planning focus, all remaining live front switches (approximately 30) are planned to be replaced with new dead front switches in the next 3 to 4 years.

For 2018, funding has been included to replace $598,000 worth of live front switches at 7 locations, along with $186,000 of associated aging feeder cable. This is an increase compared to the 2 switches replaced in 2017. Planning has started to replace another 8-10 switches in 2019. Locations for these replacements have been prioritized based on budget availability and also system and customer impact.

Table 2 includes a summary of the system locations which will benefit from these upgrades along with the associated customer type and number.

Table 2
2018 Live Front Switch Replacements

Location	Customer Count	Customer Classification
Brewer & Tarpon Vault 2054	785	Industrial/commercial/retail/residential/medical
W. 18th & Bertelsen (x2) Vaults 2444 & 5051	2,260	Commercial/residential
Hawkins & Highland Oaks Vault 3079	654	Residential
Hilyard & E. 32nd Ave Vault 5883	400	Commercial/residential
Oakway Substation Vault 1496	378	Commercial/residential/ residential/medical
EWEB Office Headquarters Vault 6952	34	Commercial
Total	4,511	

Looking Forward

In addition to the planned strategic projects using EWEB Type 1 Renewal and Replacement funds, EWEB is in the final approval stages for FEMA money to harden the EWEB distribution system to reduce the future outages during storms similar to the December 2016 Ice Storm. This request for funding was submitted by EWEB to FEMA following the 2016 storm. EWEB is expecting a FEMA award of $1.9 million for distribution system improvements. The submission process required EWEB to detail the cost/benefit associated with proposed projects. Proposed projects were based on outage data with high customer count and higher outage times from major events in 2012, 2014, 2016 and 2017. These projects include overhead to underground conversions, overhead arrangement re-configurations, re-routing lines, and conductor upgrades that affect approximately 2500 customers. Execution of these projects is planned for 2019 and 2020. Appendix A shows examples of these upgrades along with associated customer impact.

EWEB staff is continuing to plan Distribution upgrade work and actively track progress and performance of these projects. Due to the anticipated increase in resource needs during 2019 and 2020 to accommodate the FEMA reimbursable work, staff is currently creating tools which will enable more streamlined design and construction for projects, as well as the measurement of reliability and resiliency effected by these upgrades. In addition, staff has obtained board approved long term contract relationships with three Electrical Line Worker contractors and is in the process of obtaining contract design services. Having improved tools and flexible resources will allow EWEB to continue to serve customer work and complete projects that will increase resiliency and reliability.

If you have any questions please contact Rod Price at rod.price@eweb.org or 541-685-7122.

Appendix A: FEMA Project List

PROJECT #	PROJECT DESCRIPTION	REASON FOR PROJECT	FEEDER	# Meters on Tap
1	Reconductor 2 phase #6CU backyard tap to 1 phase from pole 25252 to 14802 & 14812 at Palamino & Harlow	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.	Currin 4524	30
	Reconductor 2 phase #6CU backyard tap to 1 phase from pole 14774 to 17007 at Palamino & Dapple Way	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.		147
2	Reconductor 2 phase #6CU street tap to 1 phase from pole 20144 to 20155 at Green Hill & W11th	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.	Danebo 4923	9
3	Reconductor 2 phase #6CU backyard tap to 1 phase from pole 14382 to 14386 at Debrick & Rio Glen	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.	Delta 5324	18
	Reconductor 2 phase #6CU street tap to 1 phase from pole 14357 to 14359 at Willagillespie & Russet	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.		44
4	Convert 3 phase backyard tap from OH to UG from pole 23554 to 34615 at Fox Hollow west of Saratoga to Donald.	Convert overhead primary to underground to virtually eliminate outages and damage from tree limb falls.	Dillard 4734	172

5	Reconductor 2 phase #6CU backyard tap to 1 phase from pole 11624 to 11648 at E Amazon & 35th Pl	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.	Hilyard 4115	44
	Reconductor 2 phase #6CU street tap to 1 phase from pole 2419 to 22641 & 18408 at W35th & McMillan	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.		35
6	Reconductor 2 phase #6CU &#4CU street tap to 1 phase from pole 7331 to 7334 & 7336 & 9232 at E31st & Ferry	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.	Hilyard 4125	255
7	Reconductor 2 phase #6CU street tap to 1 phase from pole 5436 to 8302 & 20771 at E38th & Central	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.	Hilyard 4127	61
	Reconductor 2 phase #6CU street tap to 1 phase from pole 5422 to 5425 & 5420 at Agate & E27th	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.		28
8	Reconductor 2 phase #4CU street tap to 1 phase from pole 2142 to 12230 at MacClean & Fillmore	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.	Monroe 3714	27
	Reconductor 2 phase #6CU street tap to 1 phase from pole 11238 to17022 at W28th & Adams	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.		41
9	Reconductor 2 phase #4CU backyard tap to 1 phase from pole 21636 to 5999 at Jefferson & 22nd	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.	Monroe 3716	39

10	Reconductor 2 phase #4CU backyard tap to 1 phase from pole 9666 to 9600 & 1555 at Willamette & W31st	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.	Monroe 3732	47
	Reconductor 2 phase #6CU street tap to 1 phase from pole 2286 to 2282 & 2289 at Washington & W29th	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.		88
11	Reconductor 2 phase #6CU street tap to 1 phase from pole 4993 to 4915 at W22nd & Olive Alley	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.	Monroe 3734	24
12	Convert 3 phase tap from OH to UG feeder from pole34270 to 10735 on Blanton Rd	Convert overhead primary to underground to virtually eliminate outages and damage from tree limb falls.	Monroe 3737	80
13	Convert 3 phase backyard tap from OH to UG from pole 17923 to 113 off Oakway north of Fair Oaks.	Convert overhead primary to underground to virtually eliminate outages and damage from tree limb falls.	Oakway 5916	97
14	Reconductor 2 phase #6CU street tap to 1 phase from pole 673 to 141 at Willow & Park	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.	River Road 5512	24
15	Reconductor 2 phase #6CU street tap to 1 phase from pole 18246 to 18250 at Owosso & Carolyn	Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.	Santa Clara 4624	106
16	Convert 3 phase backyard feeder to 1 phase tap from pole 21167 to 22470 from Willamette & Coachman to Kingswood & 50th & convert backyard feeder Dillard 4724 from OH to UG from pole 19423 to 11330 by Kingswood from Brookwood to Donald.	Convert overhead primary to underground to virtually eliminate outages and damage from tree limb falls. Reframe overhead primary from 2 phase to 1 phase to eliminate crossarms and substantially reduce damage and outages from tree limb falls.	Monroe 3722	1,076

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO:	Commissioners Brown, Carlson, Mital, Simpson, and Helgeson
FROM:	Susan Ackerman, Chief Energy Officer; Matthew Schroettnig, Power Resources Counsel
DATE:	March 6, 2018
SUBJECT:	Replacement of EWEB Open Access Transmission Tariff (OATT)
OBJECTIVE:	Information Only

Issue

EWEB currently provides electric transmission service at the wholesale level as detailed in its Open Access Transmission Tariff (OATT). EWEB's OATT has historically been patterned after OATT tariffs required of FERC-jurisdictional utilities.

Given the complexity of maintaining a FERC-jurisdictional equivalent, or *pro forma*, tariff, EWEB is currently working to replace its OATT with a Transmission Operations Policy. Staff anticipates this change will be complete within the next 45 days. This will in no way change the rights or obligations of any of EWEB's existing transmission customers, and will not modify the provision of transmission service across EWEB's limited transmission system. Transmission service, if and when requested, will continue to be offered at cost-based rates.

Background

Though EWEB is not a FERC-jurisdictional utility pursuant to Section 201(f) of the Federal Power Act, it voluntarily chose to model its transmission tariff on the FERC *pro forma* to provide transmission on a non-discriminatory basis and to provide consistency with other transmission serving entities. This ensured that EWEB would have the ability to purchase transmission from any FERC-jurisdictional transmission entities on a reciprocal non-discriminatory basis, under the standard known as "reciprocity." However, at no point has EWEB filed its OATT with FERC for approval or to request a determination that its OATT be granted reciprocity. As a result, in order to modify its transmission policies it is not necessary for EWEB to withdraw its tariff or provide any notice to FERC prior to doing so.

Since EWEB adopted its OATT, FERC requirements for maintaining a *pro forma* OATT have changed markedly. In its 2007 Order No. 890, FERC reformed its *pro forma* OATT to among other things, require greater transparency in the calculation of available transfer capability, open and coordinated planning of transmission systems, and standardization of charges for generator and energy imbalance services. The Commission also revised various policies governing network

resources, rollover rights and reassignments of transmission capacity. It was not practical for EWEB to adopt many of these changes given its limited transmission system, and so much of EWEB's original tariff language remains in place today. Understanding that, and following in the footsteps of a number of non-FERC jurisdictional utilities with limited transmission systems, EWEB has made the decision to replace its OATT with a Transmission Operations Policy.

Discussion

Though the language of the FERC *pro forma* has evolved, the means of satisfying the FERC requirement for reciprocity (i.e., granting, and being granted, access to transmission on a non-discriminatory basis) have not changed. In order for EWEB to continue to take advantage of open access on a public utility's system, it remains subject to the reciprocity condition set forth in Order No. 890. Specifically:

> "(A) non-public utility that owns, controls, or operates transmission and seeks transmission service from a public utility must either satisfy its reciprocity obligation under a bilateral agreement, seek a waiver of the OATT reciprocity condition from the public utility, or file a safe harbor tariff with the Commission."[1]

Historically, when service was requested, EWEB entered into bilateral agreements with its transmission customers based on the conditions set forth in its OATT. That process will not change under the new policy; EWEB will continue to meet the above reciprocity condition through bilateral agreements with its transmission customers based on the conditions set forth in its forthcoming Transmission Operations Policy.

The Transmission Operations Policy will be included in the Customer Services Policies. It will detail EWEB's intent to provide transmission service on a non-discriminatory basis, in accordance with the terms of EWEB's Transmission Services Policy, and at prices based on EWEB's costs. EWEB's Transmission Services Policy will be available upon request, and will include the legal and technical requirements for a customer's application for, and implementation of, a Transmission Services Agreement with EWEB.

This change will allow EWEB to simplify its public policies considerably, resulting in added clarity to transmission customers and customer owners, while maintaining the ability to offer transmission service to third parties consistent with FERC mandates.

Requested Board Action

Information Only. No action required.

1 Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 191.