The following questions have been posed by Commissioners prior to the scheduled Board Meeting on December 1, 2020. Staff responses are included below and are sorted by Agenda topic.

2021 Proposed Budgets and Prices (HART)

Budget – Regarding the projected purchased power costs exceeding the budget, are we still looking at this as a one-off event or are we beginning to take climate related impacts into account when forecasting future budgets? I'm not sure how you incorporate uncertainty, but it seems like we should certainly expect uncertainty.

***RESPONSE*:** *We enter the budget year largely "budget hedged" and we see increases in purchased power costs to a large extent offset by wholesale revenues. The expenses are approved in the budget independent of revenue however, and even when increased purchased power costs are entirely offset by wholesale revenue, a budget amendment is still necessary. This year there were several factors that impacted purchased power costs. Factors included lower demand than budget for retail customers, which increased wholesale market sales, as well as EWEB owned generation outages due to fires that increased purchases. At times these two events offset and at times we bought or sold higher volumes than expected. We also saw prices well in excess of budget assumptions in some hours.*

While climate changes will be variables used in our Integrated Resource Planning, it is not specifically incorporated into our budget forecasts. However, we do incorporate uncertainty in a couple of ways. We assume 90% of expected hydro production as a conservative budget assumption. We also do a sensitivity analysis of different demand and price scenarios to calibrate the conservative hydro assumption to other types of uncertainty. Additionally, we have established a power reserve to manage cash flow related to retail sales, hydro production and prices.

Although the tools used to manage uncertainty do not explicitly incorporate climate change we have been actively reviewing our forecast models and meeting with regional peer utilities and organizations to better understand best practices on modeling demand and hydro in light or climate changes and will incorporate and evolve our forecasting to the best information available.

MHI comparisons – do we factor in usage of natural gas? Do all of the areas included in the comparison have similar use of natural gas for heating?

RESPONSE: *We currently do not include natural gas heating in our MHI comparison. For each of our comparators EWEB uses water and electric consumption equal to EWEB's average consumption. That enables us to have a comparison of a "like-home" in each area. Our information on natural gas usage in other service territories is quite limited, however it is our understanding the natural gas market penetration in Eugene is lower than in other metropolitan areas such as Portland.*

I have some questions about our renewable generation rate, but it is a more general question and would love some more background information (i.e. if someone could break it down for me in an easy to understand way, that would be great!).

RESPONSE: *The renewable generation rate is based on wholesale market prices and market REC prices. This allows customers with solar installation to monetize the value of their projects at market rates while not creating a subsidy from other customers. We currently have surplus energy and are not acquiring new resources so our avoided cost for additional energy is wholesale market sales.*

Renewable Net-Metered Rate schedule: How many residences utilize this program? Why is the rate reimbursed increasing? How many customers choose not to remit the credits to EWEB, and what could they otherwise do with them?

RESPONSE: *There are currently 759 residential and commercial customers on the net-metered rate. The rate is based on wholesale market (i.e. EWEB is passing through the market price to customers to hold others neutral) and market prices increased over 2020 projections. Net metered customers currently retain their credits.*

For the renewable generation rate EWEB acquires the credits as a part of the Customer Generation Rate. There is currently one customer with a project to be completed next spring to be served under the Customer Generation Rate and wishes to retain the credits. Customers may wish to use their RECs as a part of a LEED certification. It is also possible to sell them to an aggregator who could market them however that can be complicated.

Medium General Service Schedule G-2: Is there is an error in rounding? It appears it would be .0615 not .0618? Or is the additional increase due to folding in the Reactive Power Charge?

RESPONSE*: Correct. The additional increase is due to folding in the Reactive Power Charge.*

Removing Reactive Power Charge: What was the purpose of the Reactive Rate Charge and why are staff proposing we remove it now? Or was this removed during the flattening of rates and we are still accounting for it in the COSA?

RESPONSE: *We had historically based this charge on a pass-through charge from BPA. It was removed by BPA several years ago and incorporated into BPA's energy charge, and we have recently had internal discussion on the value of sending customers this price signal. The proposal is to increase Energy Charge (added to the rounded number mentioned above). The current timing is largely a function of the desire to simplify the billing and improve the customer experience with the new bill design.*

COSA for Veneta and River Road: What accounts for the significant declines in cost to provide water to those two entities?

RESPONSE: *The cost to serve the wholesale water customers did fall slightly year over year as a result of a decline in the depreciation expense on the assets that serve the wholesale customers. In the case of the water districts, each year we determine the cost to serve them for the entire year. We do not implement their rate until mid-year, as per the contract. In other words, we collect the entire year of rate increase, over six months instead of 11 months. Because the cost to serve fell slightly, that rate from the second half of last year, is now too high. The shorter recovery period for the Water Districts can exacerbate changes in rates. Veneta is contractually bound to a minimum monthly purchase and due to strong water sales, the cost to serve is spread out over more kgals.*

Budgets: How are we increasing budgets for both Electric and Water and still maintaining rates while projecting sales at least on the electric side will be down? Is this offset by decrease in O&M costs?

RESPONSE*: For the Electric Utility, purchased power costs are up, however lower CILT, and lower transmission costs are helping to offset. Both utilities have benefited from debt restructure and the payments to PERS (i.e., use of reserves in prior years) have helped EWEB to curb increases in costs year-over-year. Non-labor CPI increase and wage escalation rates year-over-year have also been reduced, as an adjustment to the lower forecasted revenues and reflecting conditions we are observing in the economy. Additionally, as discussed in an earlier question/response, a significant portion of retail sales declines are offset by increases in wholesale revenue. Finally, a higher portion of capital projects are funded with bonds, rather than rate funding in 2021 as compared to 2020 and only a small deposit to reserves is budgeted for the Electric Utility.*

Consent Calendar

CONTRACTS

SPX Transformer Solutions, Inc. – for the purchase of three power transformers. (PRICE)
The #2 ranking bid is $400k difference. I understand the process of ranking, but was the difference between # 1 and #2 worth $400k?

RESPONSE: *This is a good example of why we use a scored RFP process on some equipment in lieu of a financial-only bid. Depending on the units we buy, the price differences out of approximately $1 million purchase price per unit between SPX and Hyundai would be between $105,000 and $140.000. SPX complied with EWEB's specifications much closer, including our request to ship the units with oil, which saves $30-40k on each installation. Additionally, the quoted energy losses (during operation) were less for the SPX, so their yearly operational costs will be thousands less per year. Hyundai did not provide all of the requested information and their lead times quoted were 20 weeks longer. Since we have a number of SPX transformers with good history, we are comfortable paying a relatively small higher incremental cost per unit to make sure we get the transformer we specified.*

CORRESPONDENCE

2019 EWEB Operational Greenhouse Gas Inventory (KRENTZ)
GHG Emissions Report: Why has Headquarters had a significant increase in natural gas usage despite ramping down the number of people working on site there? If it is primarily due to the tenant occupying space, why does that count on our emissions calculation?

RESPONSE: *Natural gas is used for heating at HQ. Utilities, including natural gas, are not metered separately for EWEB and Philips. Therefore, we are unable to calculate each party's specific use. In these situations, it is standard practice to apply a ratio based on occupancy square footage. Philips occupies 14% of the total space, so we apply 86% of the utility use to EWEB.*

Electric Geodesics Inc. (EGI), the original lessee, moved in during 2013. Philips purchased EGI in 2017. It is possible that operational changes, perhaps as a result of the acquisition, increased Philips' heating demand, although we're unable to confirm with real data. EWEB's occupancy has declined in recent years and there is no apparent equipment issue or obvious weather condition to account for the increase.

For context, natural gas accounts for 34% of scope 1 & 2 emissions, using the market-based (DEQ) emissions factor. Natural gas emissions increased by 40% between 2016 and 2019, (175 MTC02e). This increase represents 10% of the 2019 total emissions.

GHG Report: Why was 2016 so low for fuel consumption compared to prior years and more recent years?

RESPONSE: *EWEB's total fuel consumption in 2016 was among the highest in the ten years covered in the report. However, our fossil fuel consumption (blue bar in graph below) was the lowest during that time because we were able to supply our fleet with R99 (99% renewable diesel) for the entire year. From 2017-2019, market demand of renewable diesel increased dramatically, forcing us to procure R50 (50% renewable diesel) rather than R99. Supply and demand stabilized in late 2019, allowing us to use R99 for all of 2020. As a result, we expect our biofuel use in 2020 to be 67%, reducing fossil fuel use to only 33%.*