



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Schlossberg, Brown, Carlson, Barofsky and McRae  
FROM: Frank Lawson, CEO and General Manager  
DATE: May 14, 2021 (Work Session May 18, 2021)  
SUBJECT: Strategic Planning  
OBJECTIVE: Discussion

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## **Issue:**

According to the *Eugene Water & Electric Board Strategic Plan (2017-2020)*, approved August 1, 2017, revised July 10, 2018, EWEB will “review and update the plan annually, or when impactful changes occur.” Management is proposing Board discussion and consideration regarding certain aspects of the plan.

## **Background**

Since approval in August 2017, the strategic plan has been guiding decisions, including those associated with emergency water sources, advanced metering, customer service policies and programs, and the understanding of electrification as a situational/conditional input to resource planning. The plan has aided in helping to build customer confidence through improved performance, cost controls, simplicity of customer interactions, and transparent community communications.

In 2018, Commissioners directed the General Manager to modify the strategic plan to clearly define acknowledge GHG contribution to climate change, and to include both physical and psychological safety within our Values.

In 2020, Management presented information to Commissioners on strategic status and progress, including a year-end assessment of projects and a summary of customer confidence as assessed using two independent survey methods. Due to the utility’s focus on COVID-period operations, the Commissioners felt comfortable continuing to the existing plan for strategic guidance.

In 2021, with two new Board members and a third who had not participated in the original development of the strategic plan, Management and the Board agreed to evaluate and explore strategic updates and/or enhancements.

## **Discussion**

Throughout the past four years, Management has had the opportunity to work with the Board (collectively) and consult with individual Commissioners on various aspects of the strategic plan. Based on those discussions, Management presents the following observations relative to the state and usefulness of the strategic plan, which may be used to create new plan(s) or future revisions.

*While the strategic priorities of electricity resource decisions, along with emergency preparedness and disaster recovery remain intact, the operating and planning environment has become turbulent, and is emerging as the utility’s most challenging near-term issue.*

*Typically, operational excellence is not distinctly strategic unless solid “daily” performance is restricting long-term opportunities as was identified in the present plan. Going forward, EWEB strategy should shift to using continuous improvement (CI) to influence voluntary customer participation in our future programs.*

*Although the water and electric utilities share some resources and similar social/political operating environments, their situational status is unique and requires distinct strategic priorities. The present plan does*

*not distinguish between Electric and Water priorities.*

*Although the present plan recognizes infrastructure resiliency (i.e., “resilient spine”) as a tool used in emergency preparedness and disaster recovery, financial and workforce facets are missing.*

*Important foundational work, including improving workforce resiliency and modernizing EWEB’s information (and data) systems, is not emphasized enough in the present plan, but is critical to supporting strategic pursuits.*

*Reflective of the community, individual Commissioners evaluate the organizational Values differently, so it is unclear whether the Board (collectively) wants to prioritize the tension between them (i.e., affordability vs. community, or environmental vs. reliability, etc.).*

*The governance cycle is an important planning consideration, calling for definitive milestones within the 2-year and 4-year horizons. Management’s proposed critical accomplishments within this period include:*

*Electric*

*Advanced Metering Systems (2022)*

*Integrated Electric Resource Plan (2022)*

*New Electricity Pricing/Rate Design (2023)*

*New Time-of-Use/Demand-Response Products (2024)*

*Electricity Supply Business Model, including BPA Contract Decision (2025)*

*Water*

*E. 40<sup>th</sup> Reservoirs & Transmission (2023)*

*Drinking Water Master Plan (2025)*

*Willamette Treatment Plant Design (2024), Commissioning (2026)*

**Recommendation**

Based on consultations with Commissioners over the past three years, Management can provide suggested revisions to the Strategic Plan based on the Board’s collective knowledge and experience, along with reactions from customers and other sources throughout that time. A new “straw” revision is attached and provided as a mechanism to promote discussion between Commissioners and Management.

**Requested Board Action**

Management is seeking to inspire discussion on the strategic plan and planning process, including Commissioner perspectives on open issues and opportunities that will confront the utility in the future.

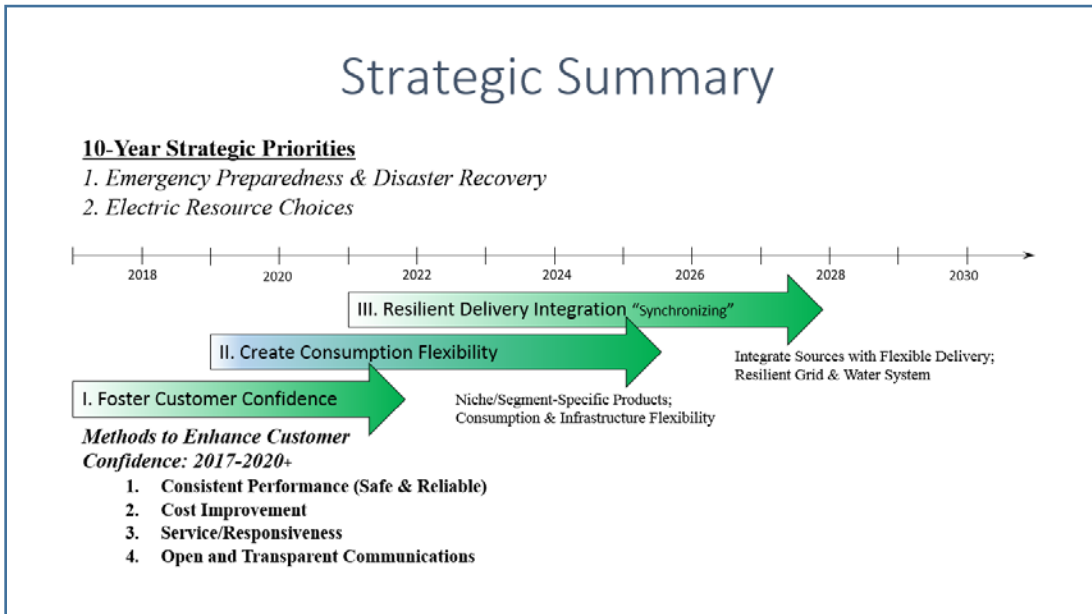
**Attachment(s)**

EWEB Strategic Plan (as approved, revised July 10, 2018)

EWEB Strategic Plan – “Straw Proposal” – May 14, 2021

# Eugene Water & Electric Board Strategic Plan (2017-2020)

*Adopted by the EWEB Board of Commissioners on August 1, 2017  
Approved Revision: July 10, 2018*



## **Purpose**

A strategic plan provides the context and understanding needed to manage policies, establish priorities, and make decisions. The plan should guide and align the organization, inspire action, and motivate us to achieve desired results. We will review and update the plan annually, or when impactful changes occur.

## **Introduction**

The Eugene Water & Electric Board (EWEB), one of the oldest publicly owned utilities in the Northwest, was founded in 1911. Today, EWEB is Oregon's largest customer-owned utility serving approximately 200,000 people in the greater Eugene and McKenzie Valley areas. Each year, EWEB is responsible for delivering 7.5 billion gallons of drinking water and 4.5 million megawatt-hours of electricity. In accordance with the City of Eugene Charter, a five member Board of Commissioners is elected by the citizens of Eugene for staggered, four-year terms.

EWEB serves a city that is known for its dedication to action and self-sufficiency. The inspiration for creating a publicly-owned utility came from an increasing dissatisfaction with the private water company serving the community. In 1916, the Board purchased the Oregon Power Company's electric system, positioning the utility as the full-service provider it is today. The utility's name changed to Eugene Water & Electric Board in 1949.

## **Strategic Priorities...the two "Big Ones"**

The most significant decisions confronting EWEB in the next decade involve sources of supply, including the renewal, replacement, or termination of major electric generating resource contracts, and decisions involving the diversification of drinking water sources for purposes of community resiliency and disaster recovery.

Prior to 2028, EWEB will need to reassemble a power generation portfolio, including EWEB's contract with Bonneville Power Administration (BPA) and the Carmen-Smith hydro facility relicensing project requiring an additional \$115 million investment. These decisions are worth billions, and will be made in the context of a changing climate, new technology, developing markets, and evolving customer expectations.

Eugene is also the largest community in the Pacific Northwest without a second source of drinking water. Ultimately, another surface water plant on the Willamette will be required to meet demand, and will justify the investment and associated rate increases. However, up until more volume is needed, using partnerships to create emergency water response, independent of the condition of our transmission and distribution pipes, is a more practical and effective approach for an Alternative Water Source (AWS).

Addressing these strategic priorities will require a deeper understanding of product consumption patterns, including the impacts to both wholesale and retail markets, and the value created for our customer-owners. During both normal and disruptive circumstances we will rely on our consumers to help us execute and make decisions, which will require their enhanced trust and confidence in EWEB. Confidence will be enriched through our consistent performance and transparent communications. Ultimately, our strategic priorities can be achieved using a "resilient delivery" utility business model, and require concentration on improving resiliency in the following two areas.

### ***10-Year Strategic Priorities...the two "Big Ones"***

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|--|
| <ol style="list-style-type: none"><li><i>1. Emergency Preparedness &amp; Disaster Recovery</i></li><li><i>2. Electric Supply Resources</i></li></ol> |
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## **Vision**

Our vision describes our future and what we want to achieve, and is stated as follows:

### ***Vision***

*Our vision is to be a local utility that inspires our customer-owners to invest in and rely on us.*

This vision implies that customers will have more utility and consumption choices in the future, and as owners will be integral in investing in that future, both financially and through program participation. We will have to earn their ownership and business.

## **Mission**

Our mission describes how we will achieve our vision, and is stated as follows:

### ***Mission Statement***

*Our mission is to enhance our community's vitality by delivering drinking water and electric services consistent with the values of our customer-owners.*

We exist for the benefit (“enhancement”) of our local community. “Vitality” acknowledges the essential services that we provide, and highlights our vital contribution to the health and welfare of our community. “Consistent with the values” recognizes our owners are Eugene residents and our customers, and stresses the importance of the methods we use to deliver our services.

## **Values**

Our strategic execution cannot sacrifice our “core values”, which provide the fundamental basis for guiding, testing, and/or overruling our policies, actions, behavior, and decisions. These values are unique and sacrosanct; they cannot be compromised for convenience or short-term gain. As proven by our decisions and actions, our core values are the following:

### ***Organizational Core Values***

***SAFETY:*** We value the physical and psychological health and safety of our workforce and the public.

***RELIABILITY:*** We value the continuous, on-demand delivery of quality drinking water and electricity.

***RESPONSIBILITY:*** We value the prudent and sustainable stewardship of our customers’ financial and natural resources, including our impact on affordability and role in reducing the greenhouse gases (GHGs) contributing to Climate Change.

***COMMUNITY:*** We value our local governance and obligation to transparently serve our community.

## **Fundamental Legacy**

Our values are supplemented by a set of principles and behavioral expectations, as stated in Board Policy SD1. We care about our community and the environment. We strive to provide affordable products and services, continuously improving our efficiency and effectiveness. We emphasize customer service, defining value through our customers’ eyes. We treat each individual respectfully, and provide a quality work environment for our employees.

## **Strategic Evolution**

Optimizing our resource and resiliency decisions over the next decade will require a *sequence* of strategic efforts and accomplishments. The eventual “resilient delivery” business model will be based on providing critical services more resiliently using a path that begins with the following.

### *Initial Phase Strategic Summary*

*Over the next three years, increasing customer value will cultivate the confidence needed for resiliency and long-term resource decisions.*

This strategy denotes the impact of near-term performance on our customer relationship, and the role of our customers in pursuing our 10-Year Strategic Priorities. It is expected that our strategy will evolve as we progress through the following phases over the next decade.

#### *Strategic Phases*

<u>Phase</u>	<u>Theme</u>	<u>Method</u>
2017-2020+	Foster Customer Confidence	Focused Performance (Cost, Responsiveness)
2018-2022+	Create Consumption Flexibility	Niche/Segment-Specific Products; Delivery & Infrastructure Flexibility
2020-2026+	Resilient Delivery	Integrate Sources with Flexible Consumption; Resilient Grid and Water Network

#### *Phase I – Foster Customer Confidence*

Our relationship with our consumers will impact the execution of our water and electric strategies. Both utilities require that customers help us understand and potentially adjust consumption patterns in the future. Widespread customer trust is essential. While this phase is an extension of our previous “*perform while we transform*” strategy, it more clearly focuses “perform” improvements on cost and customer responsiveness through improved efficiency, simplicity, and ease of doing business with us.

#### *Methods to Enhance Customer Confidence: 2017-2020+*

1. Consistent Performance (Safe & Reliable Delivery)
2. Cost/Efficiency Improvement (Responsible)
3. Service/Responsiveness – Ease of doing business (Community)
4. Open and Transparent Communications

Other than product value (benefits versus cost), customers evaluate us based on their unique, non-routine service-based experiences (storms, billing questions, rebates/credits, renovations, etc.).

**The objective of this phase is to cultivate customer confidence by consistently and transparently improving our performance.**

#### *Phase II – Create Consumption Flexibility*

Organizational performance and resiliency are aided by agility, whether referring to negotiating contracts, optimizing resources, or responding to emergency or unanticipated events. In some cases, for our customers to “Rely on Us”, we need their help. Electric energy market dynamics are creating acute swings in seasonal, daily, hourly, and within-the-hour prices. The time of power consumption (or conservation) is equally important to how much average energy is consumed, but will require we facilitate flexible consumption programs to take advantage of this market characteristic. Additionally, our ability to be resilient in cases of electric or water disruptive events will require customer involvement.

**The objective of this phase is to create products, services, and infrastructure that facilitate consumption flexibility.**

#### *Phase III – Resilient Delivery*

Changes in technology, regulations, markets, and customer expectations will drive business model choices for utilities, including EWEB, in the future. Our future requires an enhanced agility, including system and customer flexibility in order to resiliently deliver our critical services. Our major decisions involving sources and supply will be influenced by, and will impact our future ability to fulfill our mission. How effectively we make our major resource decisions will depend on our ability to dynamically synchronize these resources with changing customer needs under a variety of future conditions including emergencies and natural disasters. We will need to integrate sources of supply (including new and/or distributed sources), fortified links between sources and critical consumption hubs “resilient spines”, and

flexible distribution (consumption and infrastructure) in order to resiliently deliver our future services. **The goal of this phase is to create a more resilient grid and water network through the complete integration of our sources of supply, resilient spine(s), and flexible distribution and consumption components.**

***Future State Business Model***

Resilient Delivery Model =	J(Sources of Supply + Resilient Spine(s) + Flexible Distribution & Consumption)
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**Strategic Implementation**

Our resources belong to our customer-owners and community, including financial (money, assets) and natural (rivers, air, wildlife). Investments are required to improve essential “compulsory” services, as well as achieve strategic objectives. The essential functions listed below are required for the utility to deliver basic service levels. The strategic investments support the improvement of sustainable performance over time, including the evolution of our products and services, and the progression of EWEB toward a “resilient and independent delivery” model.

While all of these investments are important, priorities must be guided by regulations and statutes, Board direction, policy, and our values. Strategic investments will be scaled to align with good financial responsibility, spending at sustainable levels that our customer-owners can afford. Along with strategic initiatives, safety, reliability, and responsible stewardship of our customers’ resources, including money and natural resources, will be the priorities that drive decisions and investments.

**Essential Operations**

Effectiveness and efficiency improvements target cost and customer responsiveness through simplicity and ease of doing business with us, while maintaining safety and reliability of existing essential services, including the following.

- *Regulatory (financial, NERC, FERC, PUC, ODH, DEQ, etc.)*
- *Continuance of Operations (reliable delivery of drinking water and electricity)*
- *Obligation to Serve (Customer Service, New Connections, etc.)*
- *Chartered (City Billing)*

Over the next three years, we will aspire to the following management levels of our essential functions.

- MAINTAIN our safety, reliability, and delivery performance
- MAINTAIN our regulatory compliance and legality
- IMPROVE our storm and disruptive event response
- IMPROVE our responsiveness to customers; become simpler and easier to transact with
- EMPHASIZE Cyber and Physical Security on protecting personal information and critical operational infrastructure and systems.

**Strategic Investments**

Strategic investments will focus on the pursuit of our strategic priorities, sequenced with our strategic evolution phases. The following areas will be strategic investments, executed according to our values.

***Infrastructure Replenishment & Replacement (Capital) - Water & Electric***

- Replenish and replace assets at approximately 1.5-2.0 times annualized depreciation rates, including strategic spending on the Water Reliability Initiative (WRI) and the Carmen-Smith Relicensing Project.
- Emphasize emergency preparedness & disaster recovery, working with local partners to enhance system resiliency.

***Power/Energy Resource Planning (beyond supply chain management)***

- Develop dynamic, stackable and interactive models of resources, prices and markets, and consumption to optimize resource choices for different scenarios.

***Community Leadership and Responsibility*** (*conservation, efficiency, education*)

- Focus our efforts on maximizing the broadest benefits of our essential services (safe, reliable, responsible/affordable) for all customers.
- Emphasize programs and leverage partnerships with other institutions that support vulnerable members of our community.
- Support local and regional efforts to reduce the emissions of GHGs contributing to Climate Change.

***Modernization*** (*Technology, Customer Information System, Advanced Metering Infrastructure (COM, MDMS, Meters, Intg.), Infrastructure and Control Systems*)

- Arrange the investments to align with the strategic phases starting with “Foster Customer Confidence” (e.g. Customer Information System, operational (safe, reliable, responsible), customer responsiveness), then progressing toward consumption and infrastructure flexibility, followed by the integration of sources, resilient spine, and delivery flexibility.



**Eugene Water & Electric Board**  
**2018-2028 Strategic Plan**  
**(2021 Update)**

*Originally adopted by the EWEB Commissioners on August 1, 2017*

*Approved Revision: July 10, 2018*

*Proposed Revision: xxxxx, 2019*

***“Straw Proposal”***

***DRAFT ONLY – FOR REVIEW***

## **1.0 Purpose**

This strategic plan provides guidance to effectively manage policies, establish priorities, and inspire the actions necessary to position the organization to achieve desired outcomes.

## **2.0 Introduction**

The Eugene Water & Electric Board (EWEB), founded in 1911, is Oregon's largest customer-owned utility serving approximately 200,000 people in Eugene and part of the McKenzie Valley. Each year, EWEB is responsible for delivering approximately 8.5 billion gallons of drinking water and 2.4 billion kilowatt-hours of electricity. EWEB is governed by a five-member Board of Commissioners elected by the citizens of Eugene.

## **3.0 Strategic Priorities**

Drinking water and electricity are essential commodities that are becoming more precious. Mitigating forecasted volatility and scarcity, along with the increasing occurrence and threats of disruptive events, will drive EWEB strategy for the next few decades. With the goal of sustaining safe, reliable, affordable, and environmentally responsible services, the most immediate challenges facing EWEB involve operating and planning in a turbulent environment, including a changing climate, new technology, developing markets, political and regulatory flux, natural and human threats, and evolving diverse community expectations

## **4.0 Strategy**

Over the next decade, EWEB will need more resilient and sustainable infrastructure, finances, people, and processes, eventually requiring customer participation in new programs designed to mitigate scarcity, improve resiliency to disruptive events, optimize infrastructure investments, and aid in water and electricity supply decisions. Although the community expectations for drinking water and electricity delivery occur in the same dynamic environment, each utility's situational status is unique and requires distinct strategic elements.

### Water

For reliability and resiliency, EWEB will need to scope and construct a treatment plant on the Willamette River, while simultaneously restoring the McKenzie watershed. By taking a comprehensive "source to tap" approach to water quality and reliability and given that significant investments have been made over the past decade at water pumping stations and the Hayden Bridge Treatment Plant, EWEB's priority now shifts to strengthening base-level water storage and in-town transmission infrastructure.

### Electric

Prior to 2028, EWEB will need to reassemble an electric supply portfolio for the long-term economic, environmental, and social benefit of our community. These electricity supply decisions can be improved by effectively aligning time-of-use consumption and efficiency programs with the increasingly dynamic future energy resources and evolving storage technologies.

With significant electricity delivery infrastructure commissioned in the 1960s and 1970s, EWEB will need to attenuate and manage the "ballooning" need to replace this concurrently aging equipment while increasing resiliency to potentially disruptive events. Electricity investments will be managed by prioritizing high-customer-impact assets and those systems that increase resiliency to community-critical locations.

It is expected that the strategy will evolve and progress in the following tenants and phases over the next few years.

### ***4.1 Foster Customer Confidence (Ongoing)***

Our relationship with customer-owners will influence their voluntary participation in our future water and electricity programs that will optimize consumption levels and timing, impacting resiliency, infrastructure investments, and supply choices. Our relationship is cultivated by good "performance", which is the fulfillment of our compulsory obligations in ways consistent with our organizational values. *The objective of this facet of the strategy is to cultivate customer confidence by continuously improving our performance in the following areas:*

- a. Delivery – e.g. water quality, electric and water reliability standards
- b. Safety & Security – e.g. protection of life, assets, property; cyber security/integrity of data
- c. Cost/Efficiency (Affordability) – e.g. 10-year rate escalation averaging less than inflation
- d. Service/Responsiveness (Community) – e.g. ease of interactions, turnaround times, transparent communication, disruptive event response

#### **4.2 Positioning for Flexibility (2021-2023)**

Resiliency and resource decisions will be aided by creating operational and consumption flexibility, including demand response capabilities, which will improve our ability to negotiate contracts, meet future demand reliably and economically, integrate clean-energy resources, create backup and emergency systems, and respond to unanticipated events. *The objective of this phase is to build the foundational pieces that facilitate future consumption and operational flexibility, including the following elements.*

- a. Advanced Metering & Analytics – e.g. Meter Data Management (MDM) System, Customer Experience System, Financial System & Customer Information System (CIS)
- b. Integrated (Electric) Resource Plan – informs electricity supply contracts, new energy services, and EWEB-owned asset decisions
- c. Rate Design – pricing agnostic to customer/product choices (prerequisite to new energy services)
- d. Resiliency (Electric) – e.g. disruptive-event mitigation plans, fortify/automate system controls (including telecommunications), replace aging high-impact underground conductors, prioritize links between local generation and essential services (resilient spine)
- e. Resiliency (Water) – e.g. watershed recovery, base-level reservoirs and transmission, Willamette water treatment plant design

#### **4.3 Resilient Delivery (2024-2026)**

Changes in technology, regulations, markets, and customer expectations will drive future business model choices. Resilient delivery of our critical services will require enhanced agility, including system and customer flexibility. The effectiveness of strategic and operational decisions will depend on EWEB’s ability to synchronize future resources with changing customer needs under a variety of conditions including emergencies and natural disasters. The integration of water and electricity sources of supply (including new and/or distributed sources), fortified links between sources and critical consumption hubs “resilient spines”, and flexible distribution (consumption and infrastructure) is needed for the resilient delivery of our essential services. *The goal of this phase is to effectively integrate new supply resources, resilient spine(s) and delivery systems, and flexible consumption.*

- a. Launch New Energy Services – align consumption, distributed energy resource (DER), and efficiency products to optimize cost, reliability, and carbon impact
- b. Electricity Supply Contracts
- c. Determine Disposition of EWEB-Owned Generation Assets
- d. Willamette Water Treatment Plant

#### **5.0 Vision, Mission, and Values**

**Vision** - *Our vision is to be a local utility that inspires our customer-owners to invest in and rely on us.*

EWEB’s vision implies that we will earn our customer-owners’ trust, and thereby their investment and participation the programs integral to providing sustainable value.

**Mission** - *Our mission is to enhance our community's vitality by delivering drinking water and electric services consistent with the values of our customer-owners.*

EWEB recognizes that these two services are “vital” to the health and welfare of our community, and that our methods are important to our customer-owners.

#### **Organizational Values**

Values drive “how” we do things, and provide the fundamental basis for our policies, actions, behavior, and decisions. These values are unique and sacrosanct; they cannot be compromised for convenience, short-term gain, or strategic progress.

**SAFE & SECURE:** *We value the physical and psychological health and safety of our workforce and the public, the security and integrity of cyber assets and data, and the protection of our customers’ assets.*

**RELIABLE:** *We value the continuous on-demand delivery of drinking water and electricity, and the dependability of our response to our customers.*

**AFFORDABLE:** *We value and respect our customer-owners’ financial resources by making wise investments and controlling costs and rates*

**ENVIRONMENTAL:** *We value the prudent and sustainable stewardship of the environment and natural resources, including our role in reducing the greenhouse gases (GHGs) contributing to Climate Change.*

**WORKFORCE:** *(NEW –in process)*

**COMMUNITY:** *We value our local governance and obligation to transparently serve our community.*