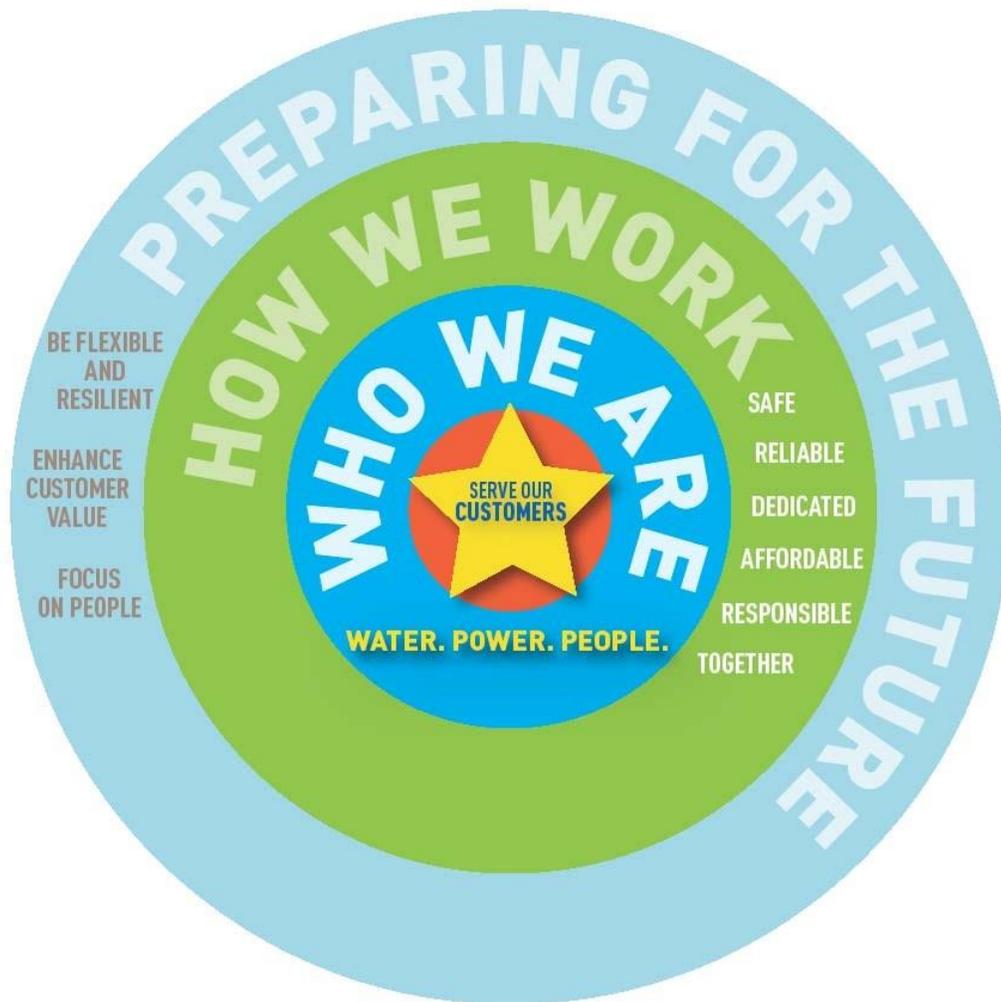


2015 EWEB Strategic Plan

Board Update

October 2015



CURRENT PLAN: 2014-2019

VISION

Our Vision is to be the best community-owned water and electric utility in the nation.

VALUES

- Providing affordable products and services
- Caring about our community and the environment
- Being flexible, innovative and adaptable to community needs
- Defining value through the customer's eyes
- Creating a quality work environment

MISSION

EWEB's core mission is to enhance our community's vitality by providing water and electric services consistent with the values of Eugene's customer-owners.

BUSINESS STRATEGIES

1. Leverage the power of our people to create and implement flexible and resilient business plans over the course of this strategic plan to allow EWEB to better adapt and thrive as the future changes.
2. Redefine and price the products and services that today's customers value over the next three years, in order to help prepare EWEB and the community for the utility of the future.
3. Refine our focus over the course of this strategic plan to clearly reflect the vision and values of EWEB employees and the community we serve in the work that we do each day, while we transform vital aspects of our business.
4. Increase customer value within the next five years for both utilities by targeting a competitive and comparator position around the middle of the pack as compared to industry peers.

5. Increase organizational efficiency by using technology, business process improvements and other mechanisms to manage costs, improve service and increase customer value.

Background

In 2013, EWEB began revamping its strategic plan in response to a potentially changing business environment. Just two years later, many aspects of this change have begun to materialize and, in fact, change is progressing faster than anticipated. In this annual update on progress toward the Strategic Plan objectives, Management reflects on what has been accomplished over the past year and one-half and reaffirms the general direction of the Plan as the right path to help prepare EWEB to become the Utility of the Future.

This Plan update relies on three cornerstone concepts to prepare EWEB for the future:

1. **Be Flexible and Resilient** - Create and implement flexible and resilient business plans that help EWEB to adapt and thrive as the future changes
2. **Enhance Customer Value** - Define, price and deliver products and services that enhance customer value
3. **Focus on People** - Both Customers and Employees

A key theme of the Strategic Plan is the importance of *partnership*, both with our customers and with other key stakeholders in the community. Another, due to the uncertainty the future holds, is to leverage *small bets*, with respect to major changes or investment strategies, as opposed to the traditional 'big bet' philosophy utilities have historically relied upon. Focusing on what is critical is a discipline we are working to instill into the culture, as is preparing the workforce to be more resilient and flexible.

Our commitment to the Board at the time the new Plan was adopted in February of 2014, was not only to begin to implement the Plan, but also to work to socialize the Plan – both inside and outside of EWEB. The details of our efforts to date are outlined in this backgrounder.

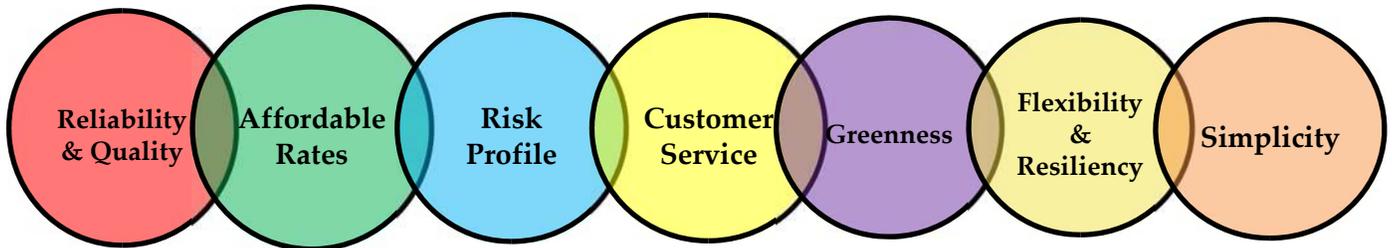
Board Direction Received to Date on EWEB's Strategic Plan

2014 Board Workshops

Management shared the proposed 2014-19 Strategic Plan with the Board over a series of two four-hour workshops where a number of far-reaching concepts were covered. The Board provided feedback and perspective and was able to reach agreement on key areas that were used to help shape the plan, but also agreed that there is more work to do and expressed an interest in maintaining an ongoing dialogue in subsequent sessions. Board feedback from the endeavor is summarized below.

The Big Dials

The following is a representation of what the Board can change through their Governance decisions. It provides a working construct to think about how we can create change in the utilities and, importantly, that modifying any one element will inevitably impact another. Most of the decisions we face boil down to a series of trade-offs. The art of good leadership is in finding the right balance for success.



2014 EWEB Self-Assessment

10= Excellent, 1=Poor

Electric Utility	Current	Target	Water Utility	Current	Target
Reliability and Quality	10	8	Reliability and Quality	10	10
Rates/Competitiveness	2	6	Rates/Competitiveness	9	6
Risk Assessment	6	6	Risk Assessment	2	6
Customer Service	6	7	Customer Service	6	7
Greenness	9	8	Greenness	9	8
Adaptability / Flexibility	5	8	Adaptability / Flexibility	3	6
Simplicity	2	6	Simplicity	4	6

➤ *It would be worth assessing over the coming months whether the Board believes EWEB has moved closer to the targets on these dials.*

Areas of General Agreement by Board Members, 2013-14 Workshops

- Management assessment of state of the utility is largely in line with Board's perception
- Need to decrease costs and increase revenue, where possible
- Support for scenario planning as a construct to manage uncertainty
- Leverage technology
- Assess strategies that reflect future utility realities.
- Load resource balance is a pivotal decision (and source of our value)
- The business could benefit from the pursuit of simplicity

- Focus on areas that make sense across scenarios until the future becomes more clear (Implementing “No brainers and no regrets”)
- Unwilling to compromise water quality
- Desire to be in the middle of the pack on electric pricing relative to peers
- General willingness to re-examine appropriate level of reliability on the electric side
- Perception of need to better communicate the value of what we provide to customers
- Willingness to move to the middle of the pack to mitigate the water supply risk issues
- Recognition that many of our financial troubles come from taking a \$50m hit in wholesale markets

Areas Where Differing Views Prevailed, 2013-14 Workshops

- Debate around the role and value of public power
- Debate about the urgency of the proclaimed competitive threats (how real and how soon)
- Views upon the speed in which we should endeavor to move our ranking in our electric pricing comparisons (but agreement on desire to do so). Most believed sooner is better
- Debate about best indices to assess competitiveness: competing fuels, utility peers, utility IOUs, or utility bills as a percentage of disposable income¹
- Different views on what the Board believes customers want from their utility providers now and in the future. Discussion ranged from “access to new technology” and “changing service expectations” to “nothing much different than they have today”

This last item was noted as a critical point and represents a potential disconnect with other elements of EWEB’s overall strategy. For example, our electric resource plan relies 100 percent on working with customers to implement energy efficiency and demand response programs to meet future load growth requirements. In addition, part of our Alternative Water Resource strategy will depend on customer demand reduction in a water emergency situation. If we don’t think customers are willing to engage with us differently than they have in the past, we will need to reassess these strategies.

➤ ***This remains a core item for further discussion before we engage in the next Integrated Resource Planning process, currently scheduled for 2017.***

2015 Strategic Retreat

The Board held a retreat in April 2015 from which a list of priorities was provided to EWEB Management. Management is working to ensure these items are all covered in ongoing updates to the Board.

¹ Customer focus groups and surveys indicate the last measure, i.e. percentage of disposable income, is the most relevant to them.

AREAS OF INTEREST	VOTES
AMI rollout & consumer/Board interactions/Cost effectiveness	4
Alternative water source	2
Rate design objectives & Rate competitiveness strategies	2
Improve/Maintain high customer service & loyalty	2
Emergency water program	1
Comprehensive policy review	1
L-T Strategic Plan; defined milestones	1
L-T Strategic Plan; identified deliverables	1
Carmen Smith & capital Investments	1
Integrating new technology (e.g. DG)	1
Risk tolerance (i.e. guiding trading floor activities)	1

Progress on the Plan: What We've Accomplished

Significant progress has been made toward the Plan objectives, as outlined in the sections below. One of the primary activities Management anticipated reporting out on in 2015 was its community outreach efforts about the aspects of the new Plan.

Communications

EWEB has conducted a number of outreach efforts over the past year to inform customers and employees about EWEB's strategic priorities and to solicit feedback on various aspects of the Plan. Initially, the primary focus of these efforts was the Plan itself. However, based on initial feedback from the Customer Research Panel, Public Affairs shifted its communications strategy to focus on specific initiatives, projects, and actions EWEB is taking - or plans to take - that connect strongly with the Plan.

Through presentations, articles, surveys, social media and other communications channels, EWEB's goal is to look for ways to connect our specific actions/initiatives to the Strategic Plan when appropriate. Below are some external and internal efforts that have helped to increase knowledge of our overall strategy.

External

- Presentations:
 1. City Club discussion on "EWEB – The Next 100 Years," June 16, 2015, by Roger Gray.
 2. Strategic Plan presented to the GreenLane Sustainable Business Forum, Summer 2014.
 3. The Strategic Plan was added as a potential community presentation topic on the Speaker's Bureau online request form.

- Publications:

1. Current Connections article in the April 2015 edition about former Commissioner John Reynolds and EWEB sponsorship of a newly created sustainability symposium in his honor. The University of Oregon also published a similar article in advance of the May 16-17 symposium. The theme was focused on the value of a public utility.
 2. The Current Connections electronic newsletter linked to the State of the Utility speech by EWEB Board of Commissioners President Steve Mital, February 17, 2015.
- Other Engagements:
 1. Three Customer Research Panels regarding reliability, affordability, and rate design/ structure were conducted.
 2. The 2014 Customer Survey included questions related to reliability, affordability and support for development of an alternate water source. The 2015 survey provided opportunities for additional questions with links to our business strategies or other initiatives.
 3. Social Media posts focused on the value of public power (with cleanhydro.com website and video links), involvement in TBL economic development with Eugene Chamber of Commerce, and cross-promotion of above-mentioned events and publication content.

Internal

- Presentations:
 1. The new all-employee meeting in February 2015 provided an excellent forum for information about our strategic direction and gaining employee feedback. Thirty minutes was devoted to our strategic vision, financial outlook and 2015 initiatives.
- Publications:
 1. Daily News has provided yet another forum for raising awareness about our overall direction. Three articles of note specific to the Strategic Plan include: results of employee survey, availability of Mission/Vision/Values and Business Strategies posters, City Club discussion with link to full recording via KLCC online.
 2. The Current Connections electronic newsletter linked to the State of the Utility speech by EWEB Board of Commissioners President Steve Mital, February 17, 2015.
- Other Engagements:
 1. The “Morning Buzz” monthly sessions – in which employees can learn about issues but also ask questions or express concerns to the General Manager and other senior managers – also has provided a forum for EWEB to connect our actions and projects to our strategic direction.
 2. The employee engagement survey indicates that about two thirds of employees “understand the connection between my work and EWEB’s strategic direction.” Efforts will continue to increase this awareness level.

General Conclusions

- Customers have a higher level of awareness and tend to be more interested in specific projects and initiatives, which provide an opportunity to connect those actions to our strategic direction.
- Customer feedback does not indicate a need to significantly change direction from the existing Strategic Plan.
- More opportunity for alignment between 10 year financial plan, capital improvement planning, and strategic planning via newly organized horizontal team effort.

Progress Toward Strategic Business Objectives

Update on the Business Strategies: Electric Utility

Strategy	Accomplishments	Lessons Learned	Looking Ahead
Increase Customer Value	Exploration into smart load growth opportunities with Business Growth and Retention (BG&R) Program and Electric Vehicle (EV) teams established. Two EWEB EVs purchased, customer loans offered for EV charging equipment, promotions scheduled.	Too early to tell on EV program. Other BG&R programs have proven that EWEB can compete with other energy suppliers like NWN. A good example is the newly constructed Northwest Community Credit Union building.	Continued pursuit of customer opportunities regarding community electrification and city's carbon mitigation plan.
Increase Customer Value	Foote Creek contract settlement.	There can be substantial value in obscure contract elements.	Expanded emphasis on long term contract optimization.
Redefine Prices/Products	Demand Response Pilots from 2008 IERP completed. Time-of-Use for Residential class available via pilot.	Customer acceptance was higher than expected. Technology is not cost effective at scale, yet. EWEB customers successfully shifted load from peak.	Electric Grid Edge Demonstration Project, Community Solar, and Commercial Time-of-Use in development.
Flexible & Resilient	Asset sale of Smith Falls almost complete.	Asset sales are time and labor intensive.	Once closed, we will look for addition opportunities.
Flexible & Resilient	Currently reassessing the economics of the Carmen Smith settlement agreement.	Importance of looking at multiple potential future states when analyzing large investments.	Meeting with stakeholders and counter parties to look for mutual purpose on possible future arrangements.

Redefine Prices/Products	Prioritized residential rate design. Made significant progress on fixed cost recovery and proposing an end state strategy to the Board for all electric utility customer classes.	The majority of EWEB costs are fixed, but for the residential customer class historically nearly 90% of the revenue recovery was being recovered through variable charges. Commercial classes faced similar pricing distortions. Customer acceptance has been higher than expected for changes implemented to date.	EWEB will continue to work to better reflect the cost basis of the pricing components for its services, while working to convey the value of these services in language that is more meaningful to our customers and employees.
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Update on the Business Strategies: Water Utility

Strategy	Accomplishments	Lessons Learned	Looking Ahead
Flexible & Resilient	Emergency water supply promotion; 2,889 containers to date.	Partnering w/ Red Cross increased community engagement.	Goal of 9,000 containers distributed by end of 2016.
Flexible & Resilient	Emergency water distribution trailer put into service.	Include the public in water distribution exercises to learn how equipment will be used in an actual emergency.	Further enhancement to water distribution trailers.
Flexible & Resilient	Obtained water rights for Willamette River Filtration Plant.	Opinion research concludes that "filtration plant" is the preferred term for this new facility and is consistent with Hayden Bridge Filtration Plant.	Willamette River Filtration Plant completed by 2021.
Increase Customer Value	Asset transfers and strategic purchase.	Creative asset development provides best value to the customer.	Willamette River Filtration Plant & Intake site.

Increase Customer Value	The 10 year Financial Plan supports that rates remain near mid-point compared to other NW water utilities.	Incremental rate increases that prepare, replace and maintain EWEB water infrastructure.	Maintain commitment to prudent fiscal management.
Flexible & Resilient	Alternative Water Source (AWS) Reserve Fund established with a portion of the 2014 rate increase.	Positive customer feedback regarding a perception of strategic financing of AWS.	CIP for Water.

Update on the Business Strategies: Both Utilities

Strategy	Accomplishments	Lessons Learned	Looking Ahead
Flexible & Resilient	In cooperation between Electric Engineering and Operations, the Electric T&D capital planning process built in the concept of "dials" to year-on-year capital spending in categories such as transmission, metering, rehabilitation, substations, etc.	By understanding compulsory levels of spending, we were able to prioritize spending and projects based on strategic system needs.	Continue the infrastructure and system planning, along with the integration of generation and resource planning.
Flexible & Resilient	Identified & implementing, as of January 2016, a new benefits plan design which preserves the quality of benefits but reduces anticipated premium rate increases for employees as well as the Utility.	Health & Wellness Committee comprised of both non-union and union workers understanding of benefits trends and costs. This was instrumental in securing agreement from the Union to open the current CBA for a successful vote to adopt the changes.	Monitor and respond to the potential effects of ACA regulations and other cost drivers to ensure EWEB benefits remain a tool to attract and retain a qualified workforce.

<p style="text-align: center;">Increase Organizational Efficiency</p>	<p>Implementation of an on-line learning management system to enable continuous employee development through training, course study and professional certification. The new model will enable employee access to learning in a highly customizable format and at a significantly lower cost than previous training delivery models.</p>	<p>Engagement survey results indicated that employees are interested in development but were limited in their ability to access training. Supervisors and managers had few options to offer their employees. Technology for the delivery of training enables easy and broad access to hundreds of developmental and certification training courses.</p>	<p>Use the learning platform to support: annual performance management, succession planning, required compliance training and recertification, on-boarding for new hires.</p>
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Update on the Business Strategies: Both Utilities, continued

Strategy

Accomplishments

Lessons Learned

Looking Ahead

<p>Increase Organizational Efficiency</p>	<p>Establish Enterprise Governance, Risk & Compliance Function. Enable improved identification and prioritization of risk treatments through the Board’s adoption of SD-20 Enterprise Risk Management Policy. Commenced internal audits and other assurance work for organization.</p>	<p>Process improvement opportunities as well as strengthening support and resources for higher risk areas of the organization.</p> <p>Normalizing risk appetite and tolerance levels across the enterprise can be a challenge. One person/groups “high risk” item may be “low to medium” for another. They all need to align with the Board, strategic plan, and governance controls.</p>	<p>Continue to provide internal audit functionality after many years without one. Formalize Emergency Management and Readiness Planning across the organization. Enable centralized governance of contracts and in accordance with best practices across the organization.</p>
<p>Increase Customer Value</p>	<p>Modernization efforts (AMI, MDM, CIS, etc.) are progressing forward. Several signed contracts in place. Internal process documentation, network designs, and City land use planning are all in final phases. Initial meters have been ordered for testing.</p>	<p>There is a significant effort needed to develop business processes that support the administration of opting in. The “slow roll” approach is allowing for more manageable transition opportunities. The interest of customers is remarkable given the current lack of available offerings.</p>	<p>In 2016 we expect to finalize all meter testing and certifications, then begin testing initial service offerings. Employee-customers and select commercial customers will be invited to participate in early service testing.</p>

We Must Continue to Perform While We Transform

The overarching strategy of this Plan is to think long-term, but be agile. We believe we can do this by continuing to *perform* strongly at our every-day tasks, while we prepare (*transform*) for the future. The ‘how we work’ elements are as critically important as what we do. For both utilities, performing well means continuing to strive for operational excellence resulting in cost effective, safe, and reliable operations.

The water utility is preparing for the future by planning for how EWEB can best provide products and services that balance short term needs with the long term vision of our community and region. Like the electric utility, there are external forces that heavily influence our decisions such as climate change, policy decisions, regional strategies, and private interests. Due to the dramatic events unfolding in other areas of the American West, water availability and access is becoming a more engaging topic for the general public. EWEB is tracking this activity to help us make prudent choices about redundant supply and optimizing infrastructure for resilience. Also common to both utilities, the traditional planning metrics that only use historical data are becoming more challenging to leverage as the historic data sets no longer reflect the magnitude, breadth, and speed of changes affecting the decisions we are making today.

For the electric utility, the speed of adoption of distributed generation resources has accelerated in discrete locations across the country and legislative support for promoting renewable energy options and climate mitigation continues to grow. EWEB is preparing for this future by managing costs and realigning its pricing structures to fit the services customers will be needing from us under this new paradigm. Recent announcements regarding the cost of storage only underscore this change. EWEB’s grid modernization efforts are also affecting the water utility. Replacing old technology, such as analog meters and our legacy billing system help prepare us to offer customers products and services they are increasingly demanding from their utilities, such as outage and leak detection, community solar, demand response, and TOU pricing.

Conservation will continue to be a critical part of the future for both utilities “smart” consumption ensures supply for current and future generations in our community. For electric, leveraging efficiency as a resource continues to be the cheapest way to serve new load that comes to our community. Finally, maintaining a strong team of highly skilled employees will continue to be a challenge for both utilities as colleagues retire and the candidate pool of younger workers becomes more competitive.

Preparing for the future, or transforming the business, is the work we will do every day that will take us into the future. We can only do this when we are highly performing at our key existing functions. We must choose carefully and focus on only a few transformational objectives at time and then execute well. Who we are at EWEB represents the raw materials we have to work with to provide our products and services to the community. At the core are our customers; why we exist. ***Our intent in this work is to move EWEB from a historically asset-focused utility to a much more customer-focused one.***