

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
FEBRUARY 5, 2013
5:30 P.M.

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

Commissioner Manning was excused.

Others Present: Roger Gray, Debra Smith, Erin Erben, Dave Churchman, Todd Simmons, Mel Damewood, Will Price, Roger Kline, Megan Capper, Brad Taylor, Frank Lawson, Mark Freeman, Lena Kostopulos, Cathy Bloom, Lance Robertson, Sheila Crawford, Sue Fahey, Steve Mangan, Tom Williams, Matt Sayre, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

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

Vice President Brown stated that he would be leaving the meeting temporarily at approximately 6:15 p.m. to testify before the Eugene Planning Commission and would return later.

TRI-ANNUAL REGIONAL POLICY UPDATE FOR ELECTRIC UTILITY

Erin Erben, Power Resources & Strategic Planning Manager, noted that she will offer a brief recap of regional policy objectives for the new Commissioners but will not reiterate the entire backgrounder that the Board received, and instead will open up her presentation for questions and ask what the Board wants to hear more about or whether they wish to focus on different issues. She added that most of tonight's presentation will focus on the power market piece.

Using overheads, Dave Churchman, Trading & Power Operations Manager, reviewed the current water supply forecast for 2013.

A discussion followed regarding expectations around this year's water supply forecast, and Mr. Churchman pointed out that staff analyzes the forecast more closely after the month of April. He noted that water supply in April through September is forecasted to be below normal due to below average precipitation in January and aggressive use of water supply in nearby periods in order to meet regional demand. He added that the forecasted average for 2013 is near budget for hydro, and that the next forecast should show somewhat improved water supply numbers.

Mr. Churchman answered questions from the Board regarding the timing of power purchases and sales.

Mr. Churchman then compared the current Northwest market prices to the market prices which were provided to the Board in October 2012. He noted that prices have continued to fall across all time periods, with near-term markets seeing the largest price declines. He also reviewed EWEB's current expected and firm market positions.

A discussion ensued, with staff answering questions from the Board regarding hedging, surplus power, etc.

President Simpson asked if purchases are required to be brought to the local market or if they can be dropped to another community. Mr. Churchman replied that staff can either "drop ship" or work on long-term transactions, but that there are some limitations on flexibility. He added that there haven't been a lot of disruptions in the market but that there have been some challenges regarding wind power.

Megan Capper, Senior Energy Resource Analyst, briefly reviewed Bonneville Power Administration (BPA) and Federal Energy Regulatory Commission (FERC) regulations. General Manager Gray added that there are conflicting policies and conflicting laws between the two entities and that EWEB gets caught in the middle of that.

In regard to a question from Commissioner Helgeson, Mr. Kline explained how Carmen-Smith being completely off line and then partially off line during construction will affect the power market.

President Simpson thanked staff for describing what they will be dealing with and who it affects and in what way.

Commissioner Helgeson said he appreciated how staff chose to focus on one area for the presentation and would like them to continue to structure their presentations in that way. He added that he would like to get an update on the power side of the BPA rate case.

Regarding the regional policy objectives listed in the backgrounder, Commissioner Mital asked if there have been any discussions about a carbon tax. Ms. Erben replied that there was a meeting in Portland today regarding a carbon tax, and that EWEB had sent staff to that meeting.

General Manager Gray added that a carbon tax is likely a policy issue that the Board will be asked to take a position on in the future.

PROPOSED 2013 EWEB OPERATING PLAN

General Manager Gray noted that this operating plan is a new approach and very different from EWEB's past operating plans. He briefly reviewed the history of and philosophical

changes from past operating plans, and noted that staff saw a definite need to align the General Manager goals with the organizational goals.

Using overheads, General Manager Gray reviewed the new operating plan and its four elements: Element 1- Dashboard; Element 2 - Business Strategies; Element 3 – Initiatives and Projects; and Element 4 – Department Goals and Metrics. He discussed the time frame for the Carmen-Smith project and how it relates to the new operating plan, and gave some examples of key deliverables. He noted that these are still being refined and that the strategic planning work session on February 19 will allow for more Board feedback. General Manager Gray then summarized key initiatives, and noted that some of them rise to the point of business strategy.

Commissioner Helgeson voiced support for the operating plan and the fact that everybody plays a role.

President Simpson also voiced his support.

General Manager Gray answered clarifying questions about the Dashboard (Element 1). A brief discussion ensued regarding what the various colors and arrows represent (qualitative or quantitative) and how to show certain upward or downward trends, and how the metrics could be more easily interpreted, including how to show priorities.

Vice President Brown rejoined the meeting during this discussion.

Commissioner Mital stated that in his opinion, clear and measurable goals are always the best, and he wondered if there is a forum in which General Manager Gray could show the operating plan to utility industry colleagues for comparison with other utilities' operating plans. General Manager Gray noted that EWEB's plan is probably more detailed than most of the other plans that general managers report to their Board.

Commissioner Helgeson stated that he would like to extract something from the operating plan that can be incorporated into General Manager Gray's annual performance review. General Manager Gray replied that the end of the year dashboard report and the report on initiatives would probably be the best ones to incorporate, and that he would not recommend incorporating the departmental goals.

General Manager Gray thanked the Board for their feedback.

President Simpson adjourned the Work Session at 7:15 p.m.

Assistant Secretary

President