



Eugene Water & Electric Board Board Calendar Report April 16, 2013*

Outstanding Items for staff prepared backgrounders that may result in Board action

#	Origination Date	Subject	Requested By	Staff Responsibility	Due Date
1	02-05-13	Rate Structure relief options to insulate low-income customers (revisit rate tiers)	Mital	Freeman/Bloom & Fahey	TBD.
2					
3					
4					

Items that may be added to future Board agendas

#	Origination Date	Subject	Originated From	Status	Timing	Scheduled	Comments
1							
2							
3							
4							

* *Note: Scheduled presentations and dates may be subject to change.*

Status is "Pending", "Approved", or "Declined"

Timing refers to the criticality of scheduling, i.e., ASAP, or non-critical

Allow for 10-15 minute break between WS/RS

Flex start time of WS dependent upon agenda items scheduled

Regular session to always start at 7:30 p.m. (special board meetings would be an exception)

Eugene Water & Electric Board 2013 Board Agendas

EWEB Board of Commissioners reserves the right to add, delete or reschedule items as needed, change the order of presentations, and discuss any other business deemed necessary at the time of the work session and/or regular meeting.

April 23, 2013

APPA Webinar: Strategic Issues Facing Public Power Governing Bodies,
11 a.m. to 12:30 p.m., hosted in the GM Conference Room, EWEB HQ

May 7, 2013 (Commissioner Helgeson - unavailable)

Regular Board Meeting (00 min. remaining), 5:30 P.M.

2013 First Quarter Financials Review (Eicher - 30 min)

2013 First Quarter Operating Dashboard/Goals Review (Gray - 15 min)

Work Asset Management Project (Board action) (Sayre, Walker, Crawford – 45 min)

Trading Floor Slice Project, TEA Contract (Board action) (Dave Churchman – 15 min.)

Board Action on Terry St to Green hill Road Pipeline (Board action) (Damewood/McCullough (10 min)

Reserve Fund Status and Transfers (Board action) (Bloom, 45 min)

May 14, 2013

APPA Webinar: Overview of Utility Financial Operations for Board and Council Members,
11 a.m. to 12:30 p.m., hosted in the GM Conference Room, EWEB HQ

May 21, 2013 - tentative date.

June 4, 2013

Regular Board Meeting (00 min. remaining), 5:30 P.M.

Regional Power and Transmission Policy Update (information only) (Erben, Churchman, Heuser/30 min)

Budget Rates Advisory Committee Revisit (Board action – resolution No. 1303) (Gray, Bloom, Robertson /75 min)

June 11, 2013

APPA Webinar: Rate Making for Utility Boards and City Councils,
11 a.m. to 12:30 p.m., hosted in the GM Conference Room, EWEB HQ

June 18, 2013 - tentative date.

July 2, 2013

Regular Board Meeting (75 min. remaining), 5:30 P.M.

AMI Business Case Check In (Gray/Armstead – 105 min)

July 16, 2013

APPA Webinar: Strategic Planning for Utility Boards and City Councils,
11 a.m. to 12:30 p.m., hosted in the GM Conference Room, EWEB HQ

July 16, 2013 Work Session (Only), 5:30 P.M.

Financial Planning Work Session

August 6, 2013

Regular Board Meeting Session (135 min. remaining), 5:30 P.M.

2013 Second Quarter Financials Review (Eicher - 30 min)

2013 Second Quarter Operating Dashboard/Goals Review (Gray - 15 min)

September 3, 2013

Regular Board Meeting (165 min. remaining), 5:30 P.M.

BPA Pass through (Bloom/15 min) - Hold time.

BPA Pass through First Public Rate Hearing (15 min) - Hold time.

September 17, 2013

APPA Webinar: Performance Monitoring and Accountability for Boards,
11 a.m. to 12:30 p.m., hosted in the GM Conference Room, EWEB HQ

September 17, 2013 - McKenzie Fire & Rescue Training Center, 42870 McKenzie Hwy

Regular Board Meeting (165 min. remaining), 5:30 P.M.

October 1, 2013

Regular Board Meeting (60 min. remaining), 5:30 P.M.

Regional Power and Transmission Policy Update (Erben, Churchman, Heuser/45 min)

2014 Customer Generation Rates Discussion (Freeman/Erben, 15 min)

2014 Customer Generation Rates Public Hearing (15 min)

2014 Customer Generation Rates Action (Res. No 13xx) (Freeman/Erben 10 min)

BPA Pass through Second Public Rate Hearings (15 min) – hold time.

BPA Pass through Rate Action (Bloom/15 min) – hold time.

October 15, 2013

Work Session ONLY - (0 min. remaining), 5:30 P.M.

2014 Electric Budget/Rates and Financial Plan (Bloom & Fahey/info 90 min.)

2014 Water Budget/Rates and Financial Plan (Bloom & Fahey/info 90 min.)

November 5, 2013

Executive Session, 5:30 P.M.

Pursuant to ORS 192.660 (i): 2013 GM Performance Evaluation (Kostopoulos 45 min/info)

Regular Board Meeting (00 min. remaining), 6:30 P.M.

Third Quarter Financials Review (Eicher - 30 min)

Third Quarter Operating Dashboard/Goals Review (Gray - 15 min)

2014 Electric and Water Budgets (Bloom & Fahey - 60 min.)

First Public Hearing on 2014 Electric and Water Budgets (15 min)

Proposed Spring Electric Rate Increase (Bloom & Fahey - 15 min.)

Proposed Spring Water Rate Increase (Bloom & Fahey - 15 min.)

First Public Hearing on 2014 Proposed Electric & Water Rate Increases (15 min)

November 19, 2013 - tentative date.

December, 3, 2013

Executive Session, 5:00 P.M.

Pursuant to ORS 192.660 (i): 2013 GM Performance Evaluation (Kostopoulos 45 min/info)

Regular Board Meeting (00 min. remaining), 5:45 P.M.

2013 Audit Planning (Cathy Bloom and Moss Adams Staff – 45 min.)

2014 Legislative Agenda Discussion (Board action) (Robertson & Heuser - 30 min.)

2014 Electric and Water Budgets (Bloom and Fahey – 30 min.)

Second Public Hearing on 2014 Electric and Water Budgets (15 min.)

2014 Electric and Water Budgets (Board action) (Bloom and Fahey - 5 min. /action)

Proposed 2014 Spring Electric Rate Increase (Bloom & Fahey - 15 min.)

Proposed 2014 Spring Water Rate Increase (Bloom & Fahey - 15 min.)

Second Public Hearing on 2014 Proposed Electric & Water Rate Increases (15 min)

2014 Electric & Water Spring Rate Increase (Board action) (Bloom and Fahey - 5 min./action)

December 17, 2013 - tentative date.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Lance Robertson, Public Affairs Manager, and Monica Shovlin, Marketing & Creative Services Supervisor
DATE: April 5, 2013
SUBJECT: Business Climate Survey Results

Issue

The Eugene Area Chamber of Commerce and Lockwood Research have released the final results of the 2013 Business Climate Survey, the preliminary high-level results of which were presented on March 20 to more than 600 attendees of the Chamber's Annual Economic Forecast event, co-sponsored by EWEB and other institutions. The event sponsorship demonstrates EWEB's commitment to the local business community and support for the Chamber's economic development efforts. In addition, the survey provides valuable information on planned investments in commercial facilities in EWEB territory, as well as the level of awareness and perceptions of existing and potential EWEB programs for commercial customers.

Background

Since the strength of a community's business climate is directly connected to local business success and effective economic development efforts, the Chamber and EWEB have partnered on the first comprehensive analysis of the local business climate in more than a decade. The objective of the research is to measure the perceived hospitality of the area to the needs and desires of businesses located in, starting up, or considering a move to Eugene. This survey provides the opportunity to identify Eugene's strengths, as well as opportunities for our two organizations and businesses to work collaboratively to improve the local business climate. The survey also provides detailed information from business decision makers (i.e., owners and/or senior executives) including property descriptions, energy efficiency awareness and workplace practices, planned investments in commercial facilities in EWEB territory, and more. The 2013 survey results also will serve as a "benchmark" so that trends can be measured over time.

Discussion

An executive summary of survey results is attached. If you would like a CD of the full report, which includes verbatim responses, please contact one of us and we will provide it to you. This information is especially useful to EWEB Key Accounts, Energy Management and Power Planning staff as they develop a new model for commercial customer energy efficiency and demand response offerings that align with load forecasts, energy conservation and peak energy demand targets.

Recommendation

This partnership and event sponsorship are worth continuing as EWEB navigates the challenges of the next several budget cycles. The shared cost of survey administration and the marketing benefits

of the sponsorship provide a high value for community engagement. In addition, the data and trend information will help EWEB in the development of new programs or the recalibration of existing programs and services.

Requested Board Action

Information only; no action required. If you have specific questions about the survey results, please contact Monica Shovlin at monica.shovlin@eweb.org or at 541-685-7666.

SUMMARY & OBSERVATIONS

Eugene's overall business climate is better than it was in 2003 when a similar study was conducted. Firms' perception of the business climate as pro-business or anti-business is related to how they feel Eugene is as a place to do business.

- Respondents were asked to rate if they *personally* feel Eugene's business climate is pro-business, neutral, or anti-business. In 2013, 22% of the sample *personally* perceive Eugene as being pro-business, and 10% feel businesses outside the area also perceive the city as pro-business. In 2003, 13% personally perceived Eugene as pro-business and 3% believed businesses outside Eugene perceived Eugene as pro-business.
- In 2013, 38% *personally* perceive Eugene as being anti-business, and 56% feel businesses outside the area also perceive the city as anti-business. In 2003, 63% personally perceived Eugene as anti-business and 77% believed businesses outside Eugene perceived Eugene as anti-business.
- Overall, nearly three-fourths (72%) of the sample feels Eugene is a *good to fair* place to do business today. In 2013, 18% rated Eugene as *poor*, which is an improvement from 2003 when 30% rated Eugene a poor place to do business.
- Those who *personally* perceive Eugene as *pro-business* are statistically more likely to feel Eugene is a *good* (58%) or *excellent* (27%) place to do business. Those who personally perceive Eugene as *anti-business* are more likely to feel Eugene is a *poor* place to do business.
- Compared to two years ago, 53% of the sample feels Eugene is *about the same*; while 24% feel Eugene has gotten *better*, and 19% feel Eugene has gotten worse.
- Four out of ten (42%) businesses feel Eugene city government is *not supportive* of local businesses (19% *not all supportive* and 23% *somewhat unsupportive*).

The top advantages to doing business in Eugene are the presence of the University of Oregon; Eugene's central location, along with Eugene's location on the I-5 corridor; and Eugene's general living conditions which provide a good quality of life.

- Nineteen percent (19%) of the firms reported the presence of the *University of Oregon* as the most frequently mentioned advantage to doing business from a Eugene location. The University of Oregon was the most frequently mentioned *second* and *third* advantage when asked to name the top three.
- Eugene's *central location* was the most frequently mentioned *top advantage* when asked to name the top three, and ranked second overall with 16% of the cumulative mentions.
- Ten percent (10%) reported Eugene's *general living conditions* or *quality of life* as a top three advantage to doing business from a Eugene location.
- Ten percent (10%) recognized Eugene's *natural beauty* or *geographic location* as a top three advantage.

The top three problems or barriers to doing business in Eugene are the stagnant, depressed economy which hasn't recovered from the recession, high taxes, and too many regulations.

- Eleven percent (11%) of firms reported the *stagnant, depressed economy* as one of the three biggest problems or barriers to doing business from a Eugene location.
- Ten percent (10%) reported *high taxes* as one of their top three biggest problems.
- Eight percent (8%) mentioned *too many regulations* as one of their biggest barriers to doing business in Eugene.

Quality of life factors rate high in satisfaction with the sample, but are not as high in importance as regulatory factors and labor market forces.

- Parks and recreation is one of only two business climate factors on the survey that received a satisfaction score higher than the importance placed on it. The other one is medical facilities.
- Cost of doing business and workforce quality received the highest mean importance score: 4.5 out of a possible five. Satisfaction with the cost of doing business and workforce quality in Eugene are a mediocre 2.9 and 3.4, respectively.
- The state fiscal situation, over which the city has no control, has the largest gap between importance (4.2) and satisfaction (2.3) scores. Economic growth potential has the second largest gap between importance (4.4) and satisfaction (2.6) scores, and local tax policy has the third largest gap between importance (4.1) and satisfaction (2.5) scores.
- A quadrant analysis shows that the number of business climate factors that need to be addressed are about the same as those that could be used to promote the business climate. Economic growth potential, cost of doing business, community safety, and the education system are areas to be addressed.

Barriers to economic development in Eugene start with city government. The permit process is difficult, lengthy, and costly; and land use zoning regulations hinder businesses from locating to Eugene or expanding in Eugene. City Council's anti-growth and anti-business persona also stymies economic development.

- Land use zoning regulations were the most frequently mentioned barrier to economic development in Eugene (28 mentions, 12% of those who perceive there are barriers).
- The permitting process was also a frequently mentioned barrier. The difficulty of the permitting process was mentioned by 11% of those who perceive there are barriers (26 mentions), and the long permit process was mentioned by 7% (17 mentions).
- Taxes which impact businesses were mentioned by 7% of those who perceive there are barriers (18 mentions).
- The City Council is the fifth-most frequently mentioned barrier to economic development in Eugene (7%, 16 mentions).

Business performance is improving, and expectations are for increased activity. Firms surveyed reported that they expect their revenue, expenditures, and employment to expand, rather than decline, in 2013.

- Gross sales were up for 37% of the sample in 2012, compared to 2011.
- Fifty-seven percent (57%) of firms surveyed expect their gross revenues to increase in 2013 with only 10% expecting their revenues to decrease.
- The majority of firms (58%) reported their number of full-time employees is expected to *stay the same* in 2013. Over one-third (35%) of firms stated that they expect their full-time employment to *increase*, while only 3% expect their full-time employment to *decrease* in 2013.
- Six out of ten (61%) firms surveyed expect their expenditures for employee wages and/or personal draws to increase in 2013, with only 4% expecting a decrease.
- Six out of ten (62%) firms expect their overall business expenditures to increase in 2013, with only 6% expecting their business expenditures to decrease.
- Forty-three percent (43%) of firms surveyed expect to add new products or services in 2013.
- Two out of ten (21%) firms are likely to make significant capital investments in 2013. Of those, 60% are planning to build, 68% are investing in equipment, and 34% are investing in personnel.
- Twelve percent (12%) expect to expand to an additional location outside of Eugene.
- Nine percent (9%) of property owners are likely to expand the physical size of their building or plant in 2013.

The labor market is a primary concern for business and received some of the highest importance ratings. The presence of the University of Oregon and Lane Community College is considered an advantage and source for educated, trained employees.

- Almost one-half of the sample (45%) has 2 – 9 full-time employees who work at least 32 hours each week.
- Roughly one out of five (18%) firms have 0 – 1 full-time employees (self-employed).
- Workforce quality was rated *very* or *somewhat important* by 80% of the sample and received the highest mean score of 4.5 (on a 5-point scale). The sample is moderately satisfied (mean score 3.4) with the current workforce quality in Eugene.
- Workforce availability ranked seventh in importance among factors that affect the business climate with a mean score of 4.2 (on a 5-point scale). The sample is moderately satisfied (mean score 3.3) with the current workforce availability in Eugene.
- Those with 0 – 1 full-time employee are statistically more likely to rate Eugene a *poor* place to do business, while those with 2 – 9 employees are more likely to give Eugene a *fair* rating, and those with 100 – 249 employees are statistically more likely to rate Eugene a *good* place to do business.

The sample is a blend of randomly chosen EWEB commercial customers and Eugene Area Chamber of Commerce members. The sample closely matches the demographics of the 2003 sample and U.S. Department of Commerce census data for 2010.

- Two-thirds (68%) of the sample are Eugene Area Chamber of Commerce members.
- Six out of ten (63%) firms reported employing fewer than 10 full-time employees who work at least 32 hours each week.
- The largest sector of firms surveyed was the service sector, with 24% of firms. Construction and home building firms represented 9% of the sample; health care and human services represented 8%, and manufacturing (wood and non-wood) represented 6%. In 2003, the service sector accounted for 22% of firms, manufacturing accounted for 5%, and construction accounted for 12%.
- Nearly one-half (48%) of the sample reported their business or organization has been located in Eugene for 26 years or longer.
- Two businesses in the sample have been located in Eugene less than one year (six months and seven months), while the longest time spent in Eugene is 150 years.
- One-third (34%) of surveyed firms reported 2012 annual gross revenues below \$500,000, 20% reported revenues of \$500,000 - \$1 million, 22% reported revenues of \$1 million - \$5 million, and 11% reported revenues over \$5 million.

Office and industrial space are the most popular property descriptions among responding firms and are most likely located in 97401 or 97402 zip code areas.

- One-half (51%) of the sample occupy space that is 5,000 square feet or smaller.
- Four out of ten (41%) firms own the space they occupy, 41% lease the space and 17% rent.
- Nearly one-third (31%) of responding firms reported they are located in office space, primarily professional office space, and statistically more likely to be located in 97401.
- Nearly one-fourth (24%) of the sample is located in industrial space, which is statistically more likely to be located in 97402. Most industrial space is an office/warehouse space without refrigeration (39%), and 24% of the industrial space is office/warehouse with refrigeration.
- While retail accounts for 7% of the sample industries, 13% of the sample occupies retail space. Most of the retail space is located in a commercial strip (56%) or freestanding space (30%), versus an enclosed mall (5%).
- Eleven percent (11%) of the responding firms are home-based businesses.
- Food service accounts for 4% of the sample industries. Most of the food-based businesses are restaurants (79%), with 7% being fast food or a food cart (7%).

Firms responding to the survey rely primarily on electricity for their heat and cooling equipment. Energy conservation is not widely practiced among those who are renters or lease their business or organization's property.

- Over one-third (34%) of responding firms reported they engage in energy conservation efforts as a business strategy for controlling their businesses fixed costs *frequently* or *all the time*.
- Over one-fourth (26%) of responding firms reported they engage in energy conservation efforts to control their businesses fixed costs *almost never* or *not at all*.
- Sixteen percent (16%) of the responding firms participate in an EWEB-sponsored energy efficiency program. A few participated in the past. Two percent indicated they are *thinking about it*. The most popular program is *lighting* (39%), followed by *windows* (13%).
- Six out of ten (61%) respondents indicated they are *not at all* or *somewhat unlikely* to invest in energy efficiency upgrades at their location in the next one to two years.
- One-half (50%) of the sample is familiar with EWEB's rebates for energy efficient products.
- Those in food services show the highest level of interest in any of EWEB's energy efficiency programs. One-half (50%) of those in the food service industry are very interested in the program for energy efficient equipment including electric ovens, fryers, refrigerators, freezers, ice machines, and food holding cabinets.

CONCLUSIONS

This is the baseline measurement for a five-year Eugene Business Climate Study that will measure the pulse of the business community between 2013 and 2017. While some comparisons were made to a previous study conducted by the City in 2003, these 2013 findings are going to become the baseline from which future change will be measured. For Eugene to thrive as a business community, change is needed.

Compared to the findings of the 2003 survey, the current business climate is noticeably improved. The current research findings indicate that the pulse in the Eugene business community is getting stronger. Future expectations include increased workforce, increased sales, increased salaries, and future growth and expansion. There is optimism. The University of Oregon also plays a strong role in the local economy and is seen as one of the biggest advantages to doing business from a Eugene location. The University of Oregon, along with Lane Community College, provides a skilled, educated, and qualified workforce; one of two business climate factors which received the top rating in importance (4.5 out of 5). Both campuses have seen recent expansion and growth in enrollment.

Amidst all this optimism for the future is an underlying perception that Eugene is not business friendly. More businesses and organizations in the sample feel Eugene is more anti-business than pro-business (38% to 22%). This anti-business sentiment is seen as a barrier to economic development in Eugene, as well as a disadvantage of doing business from a Eugene location. In fact, over one-half of the sample (56%) feels businesses and organizations outside of the area perceive Eugene as anti-business and cited examples of lost recruitment opportunities because of it. This anti-business perception among business leaders fosters a feeling that Eugene is a "poor" place to do business.

Four out of ten firms do *not* feel Eugene city government is supportive of local business. At a time when the sample used the revitalization of the downtown core as an example of why they feel things are better in Eugene now, compared to two years ago, the Mayor and City Council voted to suspend a big property tax program designed to help downtown building projects get off the ground (MUPT). Economic growth potential has the second largest gap between the importance assigned to it (4.4 out of 5) and current satisfaction level (2.6 out of 5). One reason for that dissatisfaction is the City Council. The City Council was ranked fifth in the top five barriers to economic development. Land use zoning regulations was the most frequently mentioned barrier to economic development in Eugene, along with the permitting process.

While the policies of Eugene city government are important, many of the issues facing the local business community, across all industries, are tied to the economy at the local, state, and federal levels. Although Oregon's economy is recovering, it has not recovered. According to the State of Oregon's economic forecast, slow growth will continue to be the norm. The current research shows the State's fiscal situation has the largest gap between importance to the sample and satisfaction. The sample gave the State's fiscal situation an importance score of 4.2 (out of 5) and a satisfaction score of 2.3 (out of 5). Once Oregon's economy starts to rebound, Eugene's central location, seen as a primary advantage to doing business from a Eugene location, makes it an ideal retail and wholesale trade center for both central and southern

Oregon. Still, it is the stagnant, depressed economy of today that is considered to be one of the biggest problems Eugene businesses and organizations are facing.

Taxes are also a big concern to the sample, and there is uncertainty about what will happen with future taxes once the American Taxpayer Relief Act (2012) goes into affect. During the time the survey was conducted, the City of Eugene was considering a city property tax levy and stormwater and parks fee to help fund city services in face of a \$6 million budget shortfall. The businesses and organizations in the sample ranked taxes as the fourth most frequently mentioned barrier or problem their business or organization faced.

Only seven percent (7%) of the sample rated Eugene as an "excellent" place to do business today. Most, 72%, rate Eugene as "good" to "fair". Compared to two years ago, at least one-half of the sample feel Eugene is about the same. Examples of why Eugene is perceived to not have changed in the past two years ago are similar to the examples given of why Eugene is perceived to be worse than it was two years ago: the permitting process; taxes; and anti-growth sentiment were ranked in the top five mentions. Ranked number one is the lack of any observed or noticeable changes in the business or organization.

To gauge the direction the business climate is heading, respondents were asked to indicate their expectations for 2013 in five key performance areas. The only key area *not* expected to see a large increase is total business indebtedness; only 12% expect that to increase and 30% expect it to decrease. The business strategy most likely used to fuel future growth is the addition of new products or services.

Improving the overall business climate in Eugene will be a process that takes time. The annual Eugene Business Climate Survey is a tool that will help monitor the factors that affect the business climate and provide some direction to facilitate improvement. The Eugene Area Chamber of Commerce has programs that can assist local businesses and organizations bridge some of the importance and satisfaction gaps identified in this survey.

While the cost of doing business received the highest mean score of importance (4.5 out of 5) and a low satisfaction score (2.9 out of 5), only one out of three (34%) firms engage in energy conservation efforts as a business strategy for controlling their business' fixed costs. EWEB has a variety of energy-management and energy-efficiency programs for businesses of all sizes to help manage their cost-of-doing business by reducing their utility expenses. Although only ten percent (10%) of the sample believes it is possible to shift some of their electricity use away from high demand hours to off-peak times, the likelihood of participating in a Demand Response Program in exchange for a lower rate or other financial incentive is an optimistic 60% among those who are able. These are measures that help improve the business climate.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Brad Taylor, Water Operations Manager; Jeannine Parisi, Community and Local Government Outreach Coordinator
DATE: April 10, 2013
SUBJECT: College Hill Reservoir Security

Issue

This is an update on interim measures taken to safeguard drinking water at the College Hill Reservoir (CHR), as well as the status of communications with area neighbors.

Background

The email correspondence dated March 1, 2013 described how during a routine facility inspection, it was determined that the reservoir roof was leaking despite waterproofing attempts completed in 2012. Management then embarked on a course of action that included:

- Notifying Oregon Health Authority Drinking Water Services Division (OHA/DWS) of the problem and submitting an action plan that includes bi-weekly water sampling
- Developing protocols to be taken if a "positive" sample is collected, including re-testing procedures, media announcements and instructions to the public should a "boil-water" notice be necessary
- Working with neighbors to implement other interim measures to mitigate contamination risks while a long-term solution is being developed. This included a plan to fence the reservoir top, primarily to keep dogs off the surface, by the end of June 2013.

Based on new information, staff is proposing a modified strategy with triggers that would accelerate additional measures restricting access to the reservoir surface.

Discussion

EWEB received the OHA/DWS response to its action plan on March 15, 2013. In the memo, the agency explains that a finished water storage reservoir without a watertight roof is considered a "significant deficiency" requiring corrective action to repair the roof so that it is watertight. OHA/DWS further states that even if EWEB were to restrict public access to the reservoir, animals can still present hazards until the roof is repaired. Specifically, the agency expressed concern that birds and other wild animal waste can carry cryptosporidium and giardia, which chlorine alone does not treat. EWEB plans a comprehensive review of engineering alternatives that meet the OHA/DWS requirements, including decommissioning the facility and building new storage capacity elsewhere, by the end of 2014. This solution will then need to be added to future capital improvement plans for budgeting purposes.

Management takes these concerns seriously and has a multi-level strategy in place to mitigate risks of contamination while the longer-term fix is evaluated and implemented. We have attached ‘no dogs’ placards to existing signage, and actively engaged neighbors about keeping dogs off the top of the reservoir. Staff has talked to over two dozen neighbors individually, as well as attended the March 11 Friendly Area Neighbors Board meeting to share concerns and potential solutions. In these conversations, neighbors suggested that EWEB would be more effective in changing behavior regarding dog walking on the reservoir if:

- Gates were erected at each entrance that visitors had to pass through to get onto the roof
- More prominent signage prohibiting dogs, with relevant city codes and graphics, was posted on the gates to enhance visibility and awareness
- The public had a better understanding of the contamination risks posed from animal waste and potential consequences

EWEB is pleased that neighbors understood the concerns and wanted to take proactive action to reducing known threats to drinking water quality. Their suggestion represented a practical approach that could be implemented now and incorporated into the future fencing plan. The gates and signage have since been installed (see attachment for pictures). The signage includes a link to the webpage containing a fact sheet that discusses the importance of this reservoir to our drinking water system, as well as potential risks and solutions (eweb.org/waterquality). Some neighbors have already reported that voluntary compliance has improved since these changes were made. Since staff are now sampling twice per week at this location, there is more frequent monitoring of the reservoir surface to independently validate this observation.

Other mitigation measures already in place include operational changes that “turn” the water over more frequently, which helps maintain adequate chlorine residuals throughout the entire tank. Therefore, if contaminants enter the water through the roof or other means, the likelihood of bacterial detection is minimal. In a follow-up conversation with OHA/DWS, agency staff indicated that these interim measures, coupled with on-going monitoring for neighborhood compliance with the dog ban, are likely sufficient as interim measures until a permanent solution is identified and funded. Also, it’s worth noting that the new gates can be locked to restrict access over the Fourth of July weekend, or at any other time if that becomes necessary.

A neighborhood meeting to explain facility use expectations and new security measures is scheduled for Tuesday, April 9. At that meeting, staff will test community willingness to partner with EWEB to maintain a clean surface through routine inspections, clean-up of any observed debris/waste, and engaging with users who are not being good stewards of the facility. Staff will synthesize the results of this meeting and provide a recommendation to the Board if a trial “reservoir watch” approach seems viable if accompanied with clear triggers for additional restrictions. At a minimum, these would include: a) documentation of continued problems that elevate risks to drinking water quality, and/or b) a collection of a confirmed positive sample.

TBL Assessment

In draft form; final documentation to be presented at a future meeting.

Recommendation

Fencing will reduce the likelihood of dog waste being left behind, as well as deter (not eliminate) vandalism and graffiti, but does not address the significant deficiency as required by OHA/DWS. This means that any solution short of repairing the roof or decommissioning the reservoir would be considered an interim strategy. There are also some design considerations associated with fencing that could lessen the effectiveness of this solution as a security feature, or increase original cost estimates. A stepped solution that postpones investment in a fencing system, coupled with triggers that would accelerate additional security measures, may be more cost-effective. On-going community education that continues to engage neighbors in this interim solution would be necessary if it is agreed to maintain this approach beyond a 4 – 6 month trial basis.

Requested Board Action

This is an update only. Staff will continue to review alternatives and provide a recommendation to the Board in advance of the July meeting.



Help protect our drinking water supply

**NO DOGS ALLOWED
ON RESERVOIR**

Enforced under ORS 164.245 and Eugene Code 4.817



Call 541-685-7595 to report graffiti, vandalism or other threats to drinking water.



Eugene Water & Electric Board
eweb.org/waterquality



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Erin Erben, Power & Strategic Planning Manager and Sibyl Geiselman, Energy Resource Analyst
DATE: April 8, 2012
SUBJECT: Cost of New Resources

Issue

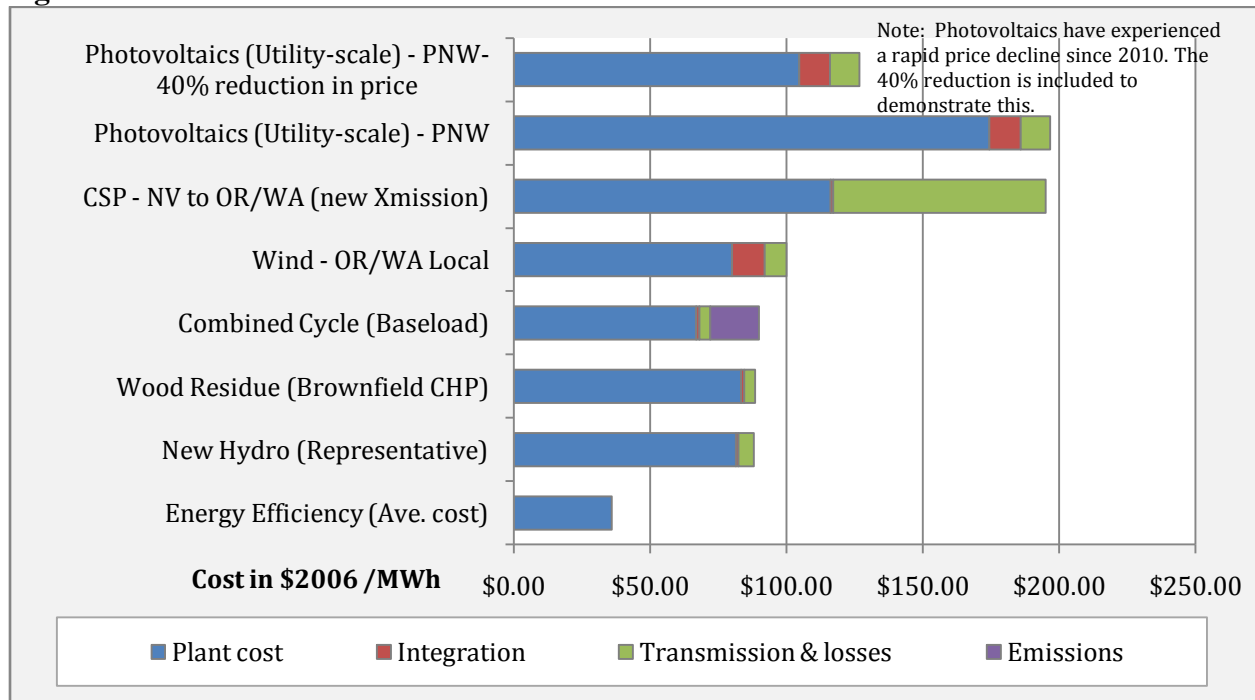
The board expressed an interest in seeing updated data regarding the cost of new power resources.

Background

The cost of new energy generating technologies was a key assumption used in the Integrated Electric Resource Plan (IERP) analysis. New energy efficiency, conservation, and demand response are the only resources that were recommended for acquisition in the IERP. These demand side resources are not only dramatically lower in cost than new supply side generating technologies, but they provide a number of TBL benefits that supply-side resources cannot provide. Because demand-side resources are the only new resources that EWEB will be acquiring in the next few years, demand-side resource costs are arguably the most important for implementation of the IERP. Maintaining an understanding of the costs of new supply-side resources contributes to other key aspects of resource planning such as portfolio optimization, market awareness, and estimation of generation asset value.

In the IERP, modeling of new resource costs and characteristics was based on Energy Information Agency (EIA) and Northwest Power and Conservation Council (NWPPCC) data that was developed for the 6th Northwest Power Plan analysis, with modifications to biomass and localized distributed solar PV costs based on EWEB specific data on recent projects. Figure 1 summarizes NWPPCC estimates of new resource costs in 2025. A modified representation of Solar PV is included to show what was analyzed in the IERP. This data has not been updated since the 6th Plan and new data will be available later this year as analysis for the 7th plan gets underway. The EIA also does not have any new data available on new resource costs.

Figure 1: 6th NW Power Plan Estimated Cost of New Resources ca 2025¹

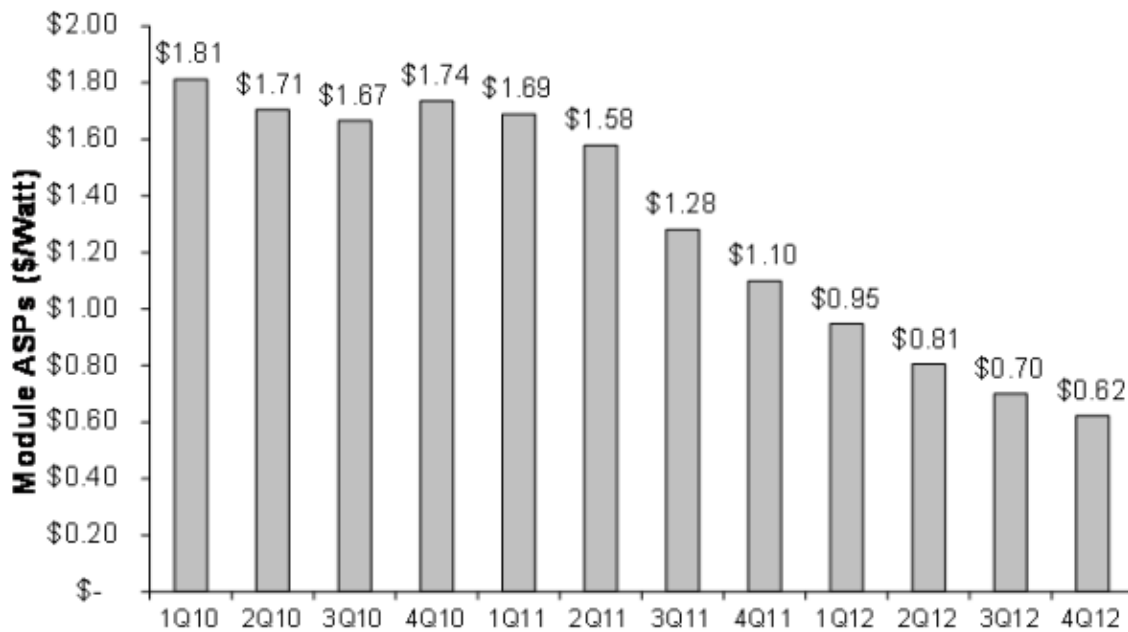


Discussion

The cost of some new resources has declined since the 6th Plan analysis was completed. The biggest change noted is in the price of new Solar Photovoltaics. Figure 2 shows the rapid decline in module cost since 2010. Module prices impact utility scale PV as well as the price of distributed PV that people install at their homes and businesses, but do not represent the total cost of the resource. Other components such as installation costs, mounting materials, inverters and balance of system have also declined though not as rapidly as modules, making the total decline in new build system costs roughly 40%. This price decline was driven by technology advances and by China's entrance into the PV market. It is unknown if the extreme low prices seen at the end of 2012 are sustainable for the industry.

¹ Northwest Power and Conservation Council Data from website.
<http://www.nwcouncil.org/energy/powerplan/6/newresourcecosts.htm>

Figure 2: Module ASPs Fell~(11%) Q/Q to a blended average of \$0.62/W in 4Q12²



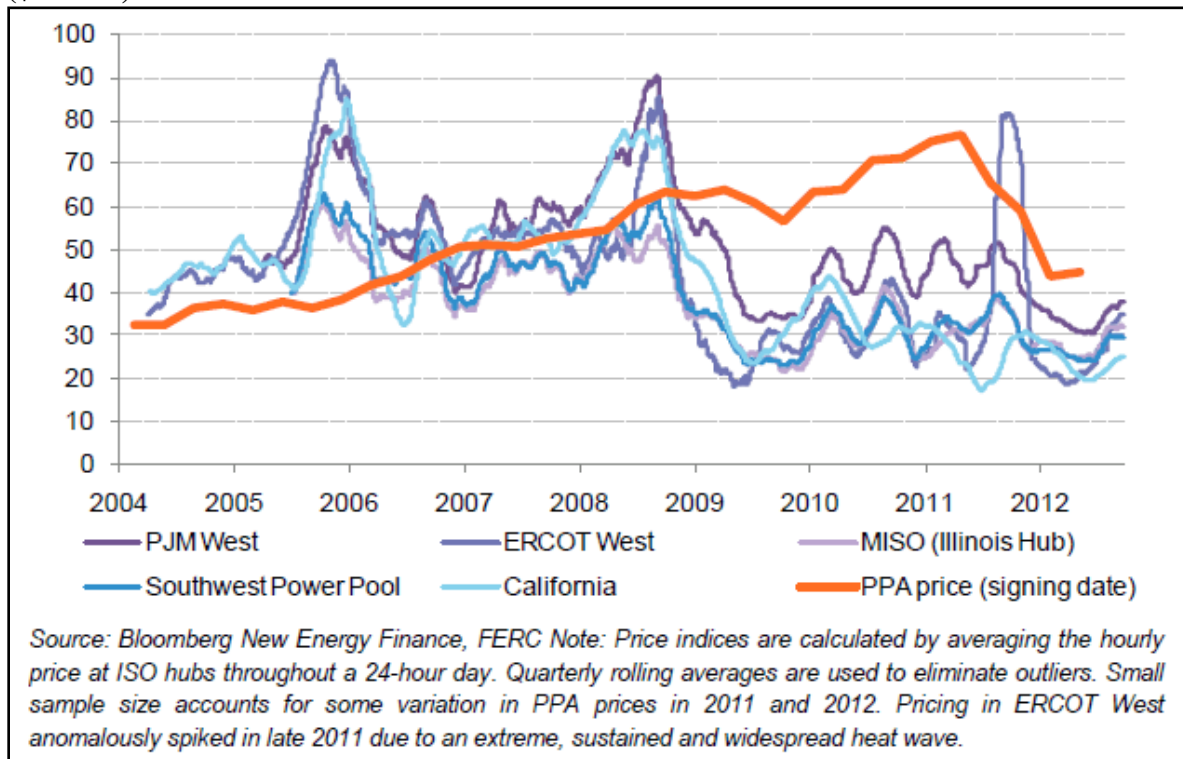
Source: Yingli Green Energy Holdings and Maxim Group estimates

Solar resource prices in \$/MWh are also highly dependent on the location of the projects. The prices shown in Figure 1 represent PV located in the Pacific Northwest, and would be higher than prices that might be seen in locations with stronger solar regimes such as southern California or the desert southwest.

Wind resources have also seen a rapid decline in price since the 6th plan analysis. As demonstrated in Figure 3, the price of wind PPAs (which should be mostly reflective of the cost of new builds) rose steadily until mid year 2011, and then started a rapid decline throughout the remainder of 2011 and into 2012. The price at which wind developers are willing to sell the output of their facilities is dependent on the market for Renewable Energy Certificates (RECs) and is directly impacted by subsidies such as federal tax credits like the recently extended Production Tax Credit, which is equivalent to \$22.00/MWh for the first 10 years of production for facilities online by the end of 2013. The wind industry is struggling with a reduction in demand which could be impacting the price.

² Bloomberg New Energy Finance. *H2 2012 US PPA Market Outlook, Cheap as They Are Rare*. Rep. N.p.: Bloomberg New Energy Finance, 2012. Online Subscription.

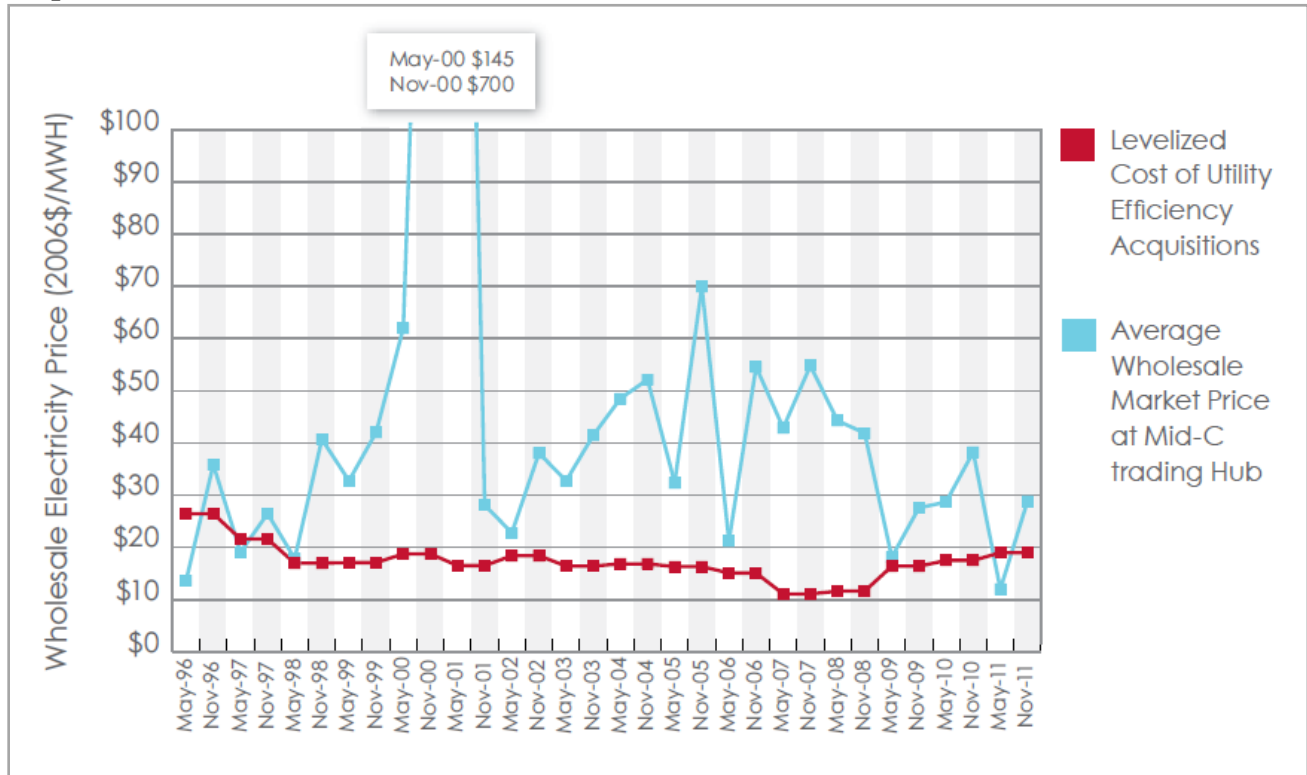
Figure 3: Average wind PPA price relative to wholesale regional prices, 2004-Sept 2012 (\$/MWh)³



Conservation/energy efficiency has also been available at lower prices than previously forecast, and has consistently been achieved at below the wholesale price for electricity. Figure 4 represents this comparison, also demonstrating how much lower in cost new energy efficiency is compared to supply side resources. EWEB is continuing to monitor its own conservation and energy efficiency savings and associated costs.

³ Bloomberg New Energy Finance. *H2 2012 US PPA Market Outlook, Cheap as They Are Rare*. Rep. N.p.: Bloomberg New Energy Finance, 2012. Online Subscription.

Figure 4: Wholesale Power Market Prices and Levelized Cost of Utility Efficiency Acquisitions⁴



TBL Assessment

This background is for information purposes only. For TBL analysis associated with various generating technologies and demand side resource strategies, please see the 2011 IERP document.

Recommendation

Staff plans to use this information for portfolio optimization and potentially for asset sales analysis.

Requested Board Action

None at this time.

⁴ Northwest Power and Conservation Council. "Sixth Northwest Power Plan Mid-Term Assessment Report." Pg.25 *Nwcouncil.org*. Northwest Power and Conservation Council, 13 Mar. 2013. Web. <http://www.nwcouncil.org/media/6391355/2013-01.pdf>.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Mark Freeman, Customer Service & EMS Manager, Kathy Grey, Energy Management Programs Supervisor and Monica Shovlin, Marketing & Creative Services Program Supervisor
DATE: April 5, 2013
SUBJECT: Rental Weatherization Research and Recommendations

Issue Statement:

Market research indicates there are more than 6,000 electrically-heated rental units in EWEB service territory that have not been weatherized. Getting rental property owners to take action to weatherize this remaining housing stock has proven challenging.

Background:

For the last several years, EWEB has wrestled with how best to move residential rental property owners to action to improve the energy efficiency of their rentals. In August 2011, EWEB Energy Management Services (EMS) proposed conducting new market research aimed at identifying methods to unlock rental property owner reluctance to invest in energy efficiency.

In cooperation with the City of Eugene, EWEB's market research intern conducted an exhaustive cross-reference of EWEB's residential conservation programs with the City of Eugene rental housing records in May 2012. EWEB's GIS department mapped the results, which were distributed throughout EWEB territory, and obtained contact information for owners of non-weatherized rentals via county tax records. In November 2012, EMS and Public Affairs conducted several focus group sessions with rental property owners and property managers to determine what might motivate them to take action, the perceived barriers to action and possible roles for EWEB in removing barriers and motivating rental owners to weatherize these properties.

Discussion:

Two focus groups of rental property owners and managers of non-weatherized rental units and one group with recently weatherized units provided their perspectives and opinions about rental weatherization. They also shared reactions to potential programs and messages about the topic. Overall reactions were similar in both the non-weatherized and weatherized groups. An independent research consultant facilitated the sessions. Following is a high-level summary of findings:

- Somewhat fewer than half of participants in the non-weatherized groups said they were aware that EWEB offered weatherization programs. Of these, most were only vaguely aware of the programs and the basis of their awareness was dated.
- Participants in the non-weatherized groups who were aware of EWEB programs learned about them through contractors and suppliers. Those in the recently weatherized group

learned about EWEB programs from a variety of sources including various EWEB communications and other landlords.

- Improving property values and attracting and retaining good tenants are the primary motivations to weatherize. This was true for all participants in all groups.
- Cost and scope were the most commonly mentioned barriers to weatherization. Occupancy logistics during improvements also figure into landlords' decision whether or not and when to weatherize.
- The majority of focus group participants preferred rebates to loans, but many said it depends on cash flow.
- Overall, the terms of EWEB's current loan were received favorably by the significant majority of participants.
- A notable minority viewed the requirement to use an EWEB-approved contractor as a disincentive.
- Participants responded favorably to current EWEB program offerings and unfavorably to "Pay as You Save" and "Green Lease" program options they saw as adding complexity without adding value.
- Extended marketing, e.g., an online listing of weatherized rental units, was appealing to nearly all participants.
- Participants favored weatherization program messaging that targets landlords rather than the tenants, except in the case of behavioral tips for renters.

The consultant concluded:

- Overall, focus group participants viewed EWEB's current rental weatherization programs quite favorably *once aware they existed*. Current program design was not a barrier to rental weatherization for these landlords.
- Participants recognized EWEB as a good source of information about energy efficiency and weatherization tips. They also said they learn about EWEB programs from a variety of sources. It's important to acknowledge that a combination of factors contributes to a landlord's decision to weatherize a rental unit (or not), including cash flow, renter relations, total cost, return on investment, concerns about project scope creep, vacant vs. occupied, and longevity of current tenant.
- Given these conditions, EWEB's promotional strategy should recognize that timing is an important factor in the decision to weatherize, and should aim for top-of-mind awareness. Messaging should be consistent over the long term and should integrate multiple communication tools so that when a landlord is considering weatherization, s/he will know to contact EWEB for information.
- Tactics to increase and leverage awareness at natural points of decision – such as during discussions with suppliers and contractors – are worthwhile. Another tactic that may be worth exploring is to further leverage landlord forums and landlord-to-landlord communication.

TBL Assessment:

Rentals often serve limited income customers who will benefit from lower electric bills as a result of weatherization measures. Rental property owners increase the value of their property through EMS program participation while also attracting and retaining stable tenants. Local contractors benefit from the additional work associated with the weatherization of these remaining rentals. EWEB contributes to market transformation and energy savings in its territory and the region within existing

budget for its EMS programs by shifting some dollars to this highly-targeted, cost-effective marketing communications effort.

Recommendation:

EMS will continue to provide energy audits for rental property owners, and share energy saving tips with renters through bill inserts, online and in printed materials available in the EWEB lobby and at community events. EMS website and print materials have already been updated to include messages about programs for rental properties in addition to owner-occupied residences, and an EMS Specialist made a presentation to the Lane County Rental Owners Association last week to provide a program update.

Currently, EMS and Public Affairs staff are exploring the feasibility of an online listing of weatherized rental units in Eugene, i.e., the extended marketing concept that was appealing to nearly all rental property owner focus group participants and would serve as a public service to prospective tenants. By Q3 2013, staff will create an action plan and identify a target completion date based on the feasibility study.

In Q4 2013 and into 2014, EMS will introduce its new energy efficiency and peak demand management programs. Based on available program incentives and informed by this recent market research (including specific owner names and addresses), Public Affairs staff will implement a targeted communications effort with EMS to communicate directly with the more than 2,800 rental property owners of more than 6,000 non-weatherized units at more than 4,000 properties in EWEB territory. Since 35 percent of these owners live outside EWEB territory and only one focus group participant said he paid the tenant's EWEB bill, direct mail and e-mail are likely the most effective means to reach owners about rental weatherization and HVAC incentives. In addition, we will pursue opportunities to share landlord testimonials in channels including the EWEB website, social media, local news media, ads and editorial placements in the Rental Owner Association monthly newsletter, speaking engagements and/or panel discussions with landlords who have weatherized, and more.

EWEB EMS will continue to collaborate with the City of Eugene to include information on EWEB programs for rental owners in the City's annual rental property fee assessment mailing, but also with landlord educational/speaking opportunities. In addition, city staff has expressed interest in collaborating with EWEB in the future to research tenant awareness of energy-efficiency programs and behaviors that may affect their utility bills and/or selection of rental property.

Requested Board Action:

Information only; no further action required.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Lance Robertson, Public Affairs Manager and Jason Heuser, Legislative Affairs
Coordinator
DATE: April 5, 2013
SUBJECT: State Legislative Update

Issue

The 2013 State Legislative Session convened Feb. 4, 2013. This memo is to apprise the Board of key issues of interest to EWEB, and the current status of these issues in the legislative process.

Background

Prior to the start of each legislative session, the Board adopts general policy directives for advocacy at the Capitol, which guide the work of EWEB's lobbying activities. When political considerations test the applicability of those directives, the General Manager makes a determination as to whether a fundamental shift in direction is required. The Board may be asked to reaffirm its policy or direct staff to make necessary adjustments.

Discussion

The following is a summary of state legislative activity of interest to EWEB:

Energy Supplier Assessment (ESA)

The prospects for reforms to the collection and disbursement of the Energy Supplier Assessment were muddled to some extent by the filing in November of a lawsuit challenging that the ESA was a "tax" and not a "fee," which could potentially determine that the ESA as currently structured is not valid. This lawsuit was re-filed recently in a different legal milieu. This will mean that the case will likely be heard after, and not during, the current legislative session, which has afforded more comfort for legislators and stakeholders to take up changes through the legislative process.

EWEB staff is currently serving on an ESA reform workgroup appointed by the Governor. At the time of this memo, a legislative concept is likely to be introduced as legislation the week of April 8, and a second legislative concept may be unveiled soon, too. There are reasons to be cautiously optimistic that some changes will be made to the ESA to provide better transparency, accountability and also consistency to the collection and disbursement of those funds.

Uniform Statewide Net Metering

Legislative concepts that would have subjected consumer-owned utilities to the higher net metering standards that investor-owned utilities are subject to, and which would have preempted local

interconnection policy decision-making (such as requiring manual disconnect switches), have gained no traction and have not received a public hearing at this time. Oregon consumer-owned utilities (COUs) made a very strong grassroots advocacy effort in February (including the EWEB Board, of course) with legislators that has demonstrated great efficacy.

Virtual Net Metering (VNM) Mandates

House Bill 2792 and Senate Bill 652 would mandate that utilities offer VNM to customers as a tool to deploy community solar projects, presumably to those without solar access. Both of these bills received a public hearing. EWEB spearheaded a strong response from utilities that has seemingly left both bills stalled in committee at this time, although neither bill can be completely counted out. EWEB has been approached by a community solar project interested in VNM, and staff has been researching this type of approach and interacting with the manager of the prospective project. As a result, EWEB was well informed and positioned to influence legislators with our testimony in front of both the House and Senate Energy committees, where staff raised concerns about mandating an untested approach when concerns about demands on billing systems, staff time, inter-customer subsidization and cost recovery have not been adequately addressed yet. VNM would be better suited to a voluntary pilot approach at this time. Additionally, community solar can still be accomplished without the use of VNM, using a traditional power purchase model.

Contributions in Lieu of Taxes (CILT) for Municipal Utilities

Lane County brought forward legislation that would have required some CILT revenues to be shared between the City of Eugene and Lane County. Although the bill sparked much discussion in Salem and locally, due to concerns about revenue-neutrality for EWEB and the complications of attempting a state solution to a local and charter issue, the bill has not received a hearing and is not expected to advance. It is very probable that a local legislator(s) may ask the two local governments and EWEB to sit down in the interim to discuss possible approaches to this issue.

Public Employees Retirement System (PERS) Reforms

Public hearings have not been held for the myriad of individual PERS reform bills brought forward. Instead, just one single "omnibus" public hearing on PERS legislation has taken place at this time. PERS reforms are largely being negotiated behind the scenes and through overall budget negotiations involving a small circle of decision-makers in the legislature. Senate Bill 822 was passed out of the Joint Ways and Means Committee on April 5 on a party-line vote, supported only by the Democrats on the committee. This bill would enact a projected \$460 million in direct PERS savings by shrinking cost-of-living increases and by ending extra payments to out-of-state retirees to cover state income taxes. It also delays \$350 million in payments into the system for two years, for a total savings of \$810 million in the state's 2013-15 budget cycle.

It is possible a second PERS bill could emerge that would contain additional PERS reforms and savings favored by Republican Legislators. This bill would likely figure in negotiations for new revenue, including caps or removals of existing tax credits, sought by Democrats to aid in balancing the state budget.

Carbon Tax Legislation

A trio of carbon tax bills have been introduced this session in concert with the release of a Portland State University carbon tax study. Although no action on these bills is expected, they have stimulated conversation about revisiting a state or regional carbon pricing agreement and will serve

as a dress rehearsal for a more serious conversation in the 2015 legislative session.

HB 2792, proposed by Representative Jules Bailey of Portland, would institute a carbon tax while repealing the state's renewable portfolio standard - the rule that requires utilities to generate 25 mandating a percent of power from renewable resources by 2025. It would also eliminate energy siting assessments (i.e. the Energy Supplier Assessment) paid to the Department of Energy and modify Oregon's gas tax downward by steering revenues to ODOE and the State Highway Fund, among others. It targets only fuel suppliers (including transportation) and utilities, which would be taxed on the amount of carbon-based fuel sold to consumers or used to produce electricity for consumers. It would allow the rate of tax to be determined (blank in the bill).

HB 2874, proposed by Representative Phil Barnhart, of Central Linn and Lane counties, similarly targets fuel suppliers and utilities that sell or combust fossil fuel for consumer use, though the bill does not repeal or modify other programs. It would allow the rate of tax to be determined (blank in the bill).

HB 2497, proposed by the House Revenue Committee is nearly identical to HB 2874.

Finally, SB 537 would instruct ODOE to bring forward a work group to study and design a carbon tax.

Recommendation/Requested Board Action

This memo is for informational purposes. No board action is requested.