



Eugene Water & Electric Board

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Eugene Water and Electric Board Policy Position on Carbon Pricing Adopted April 16, 2013

Policy Position: EWEB believes that the State of Oregon should adopt a direct carbon pricing mechanism that applies across all sectors of the economy. EWEB believes that such a policy should be developed for consideration and adoption in the 2015 Oregon Legislative Session using a combination of academically-based studies with supporting data and an inclusive stakeholder process to develop carbon pricing design choices that are not just sound from an economic and environmental standpoint, but are viewed as fair from a social and political standpoint.

Why: *EWEB believes a data-driven study and inclusive stakeholder process is more likely to result in sound policy than pre-determined or prescriptive policies that are indirect or incomplete in nature.*

Policy Position: Global climate change is a real problem that needs to be addressed through comprehensive policy. Until the issue is addressed at the national and global level, we should start with the state-level approach and work with other nearby states and provinces.

Why: *Greenhouse gas emissions affect the entire planet. While a national policy may make the most sense, the current political situation in Washington, D.C. is unlikely to develop a national solution in the foreseeable future. Therefore, EWEB favors at least a statewide or regional approach. The province of British Columbia and State of California have already adopted carbon pricing policies, and Washington is advancing a carbon pricing study, so Oregon will not be taking this step alone. Since others are moving toward carbon pricing, economic competitiveness issues can be addressed cooperatively in the region.*

Policy Position: Indirect and incomplete approaches used today are not efficient or effective. EWEB favors a more direct and comprehensive approach to pricing greenhouse gas emissions and carbon.

Why: *First, by focusing only on utilities, we are ignoring entire sectors of the economy such as transportation, which generates approximately 40 percent of the greenhouse gas emissions in Oregon. Indirect means, such as renewable portfolio standards and various tax and production credits are creating serious distortions in the marketplace. Renewable energy policies in some states are creating significant economic impacts on electric ratepayers. They have become an indirect "price" that is inefficient, ineffective and unfair in its regressive nature. By pricing carbon directly, Oregon can likely reach its GHG reduction goals on a lower dollar per ton of carbon emissions basis and with less overall impact to the state economy.*

Policy Position: Cap and trade or carbon taxes are two possible greenhouse gas pricing mechanisms. EWEB believes that any approach must apply across all sectors of our economy to be efficient and effective.

Why: *EWEB supports a carbon pricing mechanism, but believes that the actual form (whether a direct tax or a cap and trade approach) merits further study. British Columbia has adopted a direct tax and California has adopted a cap and trade approach. Each approach has pros and cons that need to be considered carefully in Oregon.*

Policy Position: EWEB is willing to be part of a study and stakeholder process and to contribute financial and people resources to such a process.

Why: *Because this is important for EWEB and our customer-owners. EWEB wants to be part of a direct and comprehensive solution that is politically feasible. EWEB believes that doing nothing is not an option. The time has come for stakeholders and decision-makers to come to the table to design a carbon pricing mechanism that works for Oregon.*

Contact: Jason Heuser; 541-685-7425; jason.heuser@eweb.org

For EWEB's more comprehensive Carbon Pricing Position, visit:

http://www.eweb.org/public/commissioners/meetings/2013/130416/WS2_EWEBProposedPolicyPositiononGreenhouseEmissionPricingRev41113.pdf



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Cathy Bloom, Finance Manager; Gail Murray, Purchasing/Risk Manager
DATE: April 24, 2013
SUBJECT: Local Preference Procurement Options
OBJECTIVE: Information Only

Issue

During the regular board meeting on April 2, 2013 there was discussion regarding what local preferences are allowable under EWEB's current public contracting laws and rules.

Background

EWEB's procurement processes are governed by laws (ORS 279A, 279B and 279C) and EWEB Rules. These processes aid us in procuring the highest quality, best value products and services that meet the needs of the utility. In some cases, this includes local vendors.

Discussion

While we do not currently have a local (Eugene/Springfield) preference law, there are some options to spend procurement dollars within the state and/or within the local community. These procurements may be based on the criteria outlined below: (Note: the first four options are currently being utilized).

1. Purchases under \$5,000:

These purchases are deemed small procurements in Oregon law and EWEB's rules. They are exempt from the bidding process. Staff is able to directly negotiate purchases that fall into this category to leverage our dollars in the local community. This is an area that we can make a difference in our community and spend our dollars locally, if possible. The cumulative effect of these \$5,000 purchases can add up to considerable support for local businesses. In 2012, we spent \$1.6 million with local businesses.

2. ORS 279A.120 – Oregon Reciprocal Preference Law

Oregon law provides an Oregon preference over an out-of-state bidder when bids are substantially equal. Additionally, because other states offer specific preferences to their in-state bidders, Oregon's reciprocal preference law (ORS 279A.120) requires public contracting agencies, in determining the lowest responsible bidder, to add a percent increase to each out-of-state bidder's bid price which is equal to the percent of preference given to local bidders in the bidder's home state. That is, if the low bidder is from a state that grants a 10 percent preference to its own in-state bidders, we must add 10 percent to that bidder's price when evaluating the bid. (See attachment A)

Because of this practice, Oregon does not give preferences for local companies, because reciprocal preferences would be given to an Oregon local city's bidders (say, the City of Portland). When Eugene bidders (who do not bid on EWEB projects) bid on Portland public solicitations, they would realize an equal penalty as that given in Eugene.

3. Sustainable Procurement Policy – use of TBL in RFP evaluations

Local presence may be used as part of the evaluation criteria in an RFP process. EWEB recently approved a sustainable procurement policy which incorporates methods and abilities to use sustainable practices in our solicitations and TBL analysis in decision making during RFP evaluations. Part of the TBL process includes use of local businesses. (See attachment B)

4. Local Vendor Outreach – Purchasing staff have participated in reverse vendor trade shows (RVTS) sponsored by the UO and others. The RVTS is an event that allows suppliers, consultants, contractors, etc. the opportunity to meet with procurement professionals from numerous public agencies at one time. The public agencies set up information booths or tables and suppliers roam the trade show floor to meet with individuals from each of the entities. This is an opportunity that the vendor community seems to appreciate. It is a time that they can meet with utility staff and engage in discussions about how to do business with a public agency, what projects may be coming up and have a chance to meet face to face with individual buyers. This is an annual event, usually in early spring, which we hope to continue to participate in.

5. ORS 279A.128 - Buy Oregon Goods and Services:

This law was implemented last year. It enables Oregon public agencies to pay up to 10 percent more for goods fabricated or processed or services performed entirely within the state, with the exception of specified public improvements and construction contracts. (See attachment A)

This law also enables the contracting agency to set a higher percentage than 10%. This would take a board action, finding good cause to set the higher percentage and explaining the contracting agency's reasons and evidence for the finding. Due to budget constraints and increased cost, we have not yet implemented this in our procurement processes. However, it is an option to consider.

Recommendation

None

Requested Board Action

None – Information only

ORS 279A.128 Preference for goods fabricated or processed within state or services performed within state. (1) As used in this section, “services” means services as defined in ORS 279A.010 (1)(kk) and personal services designated under ORS 279A.055.

(2)(a) Notwithstanding provisions of law requiring a contracting agency to award a contract to the lowest responsible bidder or best proposer or provider of a quotation, a contracting agency that uses public funds to procure goods or services for a public use under ORS chapter 279B may give preference to procuring goods that are fabricated or processed, or services that are performed, entirely within this state if the goods or services cost not more than 10 percent more than goods that are not fabricated or processed, or services that are not performed, entirely within this state. If more than one bidder or proposer qualifies for the preference described in this subsection, the contracting agency may give a further preference to a qualifying bidder or proposer that resides in or is headquartered in this state.

(b) The contracting agency by order may set a higher percentage than the percentage set forth in paragraph (a) of this subsection if the contracting agency, in a written determination to support the order, finds good cause to set the higher percentage and explains the contracting agency’s reasons and evidence for the finding.

(3) Notwithstanding ORS 279C.320 (1), subsection (2) of this section does not apply to emergency work, minor alterations, ordinary repairs or maintenance work for public improvements or to other construction contracts described in ORS 279C.320 (1). [2009 c.214 §2; 2011 c.237 §1]

279A.120 Preference for Oregon goods and services; nonresident bidders. (1) As used in this section:

(a) “Nonresident bidder” means a bidder who is not a resident bidder.

(b) “Resident bidder” means a bidder that has paid unemployment taxes or income taxes in this state during the 12 calendar months immediately preceding submission of the bid, has a business address in this state and has stated in the bid whether the bidder is a “resident bidder” under this paragraph.

(2) For the purposes of awarding a public contract, a contracting agency shall:

(a) Give preference to goods or services that have been manufactured or produced in this state if price, fitness, availability and quality are otherwise equal; and

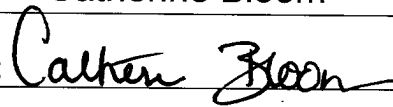
(b) Add a percent increase to the bid of a nonresident bidder equal to the percent, if any, of the preference given to the bidder in the state in which the bidder resides.

(3) When a public contract is awarded to a nonresident bidder and the contract price exceeds \$10,000, the bidder shall promptly report to the Department of Revenue on forms to be provided by the department the total contract price, terms of payment, length of contract and such other information as the department may require before the bidder may receive final payment on the public contract. The contracting agency shall satisfy itself that the requirement of this subsection has been complied with before the contracting agency issues a final payment on a public contract.

(4) The Oregon Department of Administrative Services on or before January 1 of each year shall publish a list of states that give preference to in-state bidders with the percent increase applied in each state. A contracting agency may rely on the names of states and percentages so published in determining the lowest responsible bidder without incurring any liability to any bidder. [2003 c.794 §16]



POLICY & PROCEDURE

	NUMBER SPP 2012.1	SUPERSEDES N/A
	EFFECTIVE November 20, 2012	PAGE NUMBER 1 of 4
	REFERENCE EWEB rule: 2-0160, 2-0170, 4-0210, 4-0220, 5-0200, ORS 279A (105, 120, 125, 145)	
SUBJECT Sustainable Purchasing Policy	APPROVAL SIGNATURE Catherine Bloom	
	Signature: 	

1.0 Introduction

EWEB has a long-standing commitment to stewardship, sustainability, and efficiency both in its internal practices and in community-wide initiatives. EWEB has established a Statement of Legacy, Environmental Policy, Climate Change Policy, Sustainability Policy, and Zero Waste Goal to guide this commitment. To provide more detailed guidelines and tools to continue these practices, EWEB has established a Sustainable Purchasing Policy which seeks to integrate sustainability considerations into the procurement process and decision making by reducing the environmental impacts of its operations and promoting fiscal responsibility and community equity.

Sustainable purchasing practices benefit customers, community members, EWEB employees, and the environment by considering the life-cycle and long term impacts of goods and services. An important benefit is the long-term savings often associated with sustainable purchasing. While at times the original purchase price of a more sustainable product may be higher, the overarching costs associated with its long term use and disposal as well as environmental and health considerations can ultimately mean dollars saved by EWEB.

2.0 Purpose

This Sustainable Procurement Policy is intended to:

- decrease risk and increase efficiency;
- identify the sustainability principles that shall be incorporated into procurement decisions;
- empower employees to be innovative and demonstrate leadership by incorporating sustainability principles into procurement decisions;
- implement EWEB sustainability goals and related policies;
- communicate EWEB's commitment to sustainable procurement; and
- comply with State and Federal regulations.

3.0 Sustainability Principles

The following principles shall serve as general guidance in the procurement of goods and services:

- (a) Avoid goods containing toxic, persistent and bio-accumulative compounds.
- (b) Minimize use of raw materials. Seek goods that are recyclable and/or made with recycled content.
- (c) Seek goods and services that are produced locally because they generally have less environmental impact than goods and services produced elsewhere as a result of the reduced amount of energy required for transport.
- (d) Minimize reliance on goods that have negative impacts on local, regional, and global habitats through pollution, over-harvesting, or overuse.
- (e) Use all resources, including but not limited to energy, water and materials with increasing efficiency over time.
- (f) Minimize life-cycle costs and impacts, wherever it is reasonably feasible to determine life-cycle information.

- (g) Reduce greenhouse gas emissions in general, and in particular, to meet EWEB, local, state, and federal goals and regulations.
- (h) Select goods and services that do not negatively compromise the health of community members.
- (i) Leverage existing efforts where environmental and sustainability related policies have already been completed by using cooperative contracts. Whenever reasonably possible and practicable, all procurements by EWEB should build upon and assist in the implementation of these initiatives.

4.0 Developing Specifications and Evaluation Criteria

4.1 EWEB staff will incorporate the sustainability principles in Section 3.0 and the Triple Bottom Line (TBL) analysis framework when writing specifications or when evaluating proposals. EWEB's TBL analysis framework has been developed to use for all contracts and decisions to be reviewed by the EWEB board. The TBL framework is posted on EWEB's Sustainability Intranet Site at:
<http://intranet.ewebnetwork.net/Sustainability/TBL.htm>

Some TBL factors to consider when developing specification include:

Environmental factors to be considered but not limited to, the lifecycle assessment of:

- Pollutant releases to land, air or water
- Toxicity, especially the use of persistent, bioaccumulative, and toxic (PBT) chemicals
- Waste reduction including reuse and recycling
- Greenhouse gas emissions
- Energy efficiency
- Consumption of natural resources
- Impacts on biodiversity.

Social equity factors to be considered include, but are not limited to:

- Use of State of Oregon certified Minority, Women, and Emerging Small Businesses (MWESB) or Qualified Rehabilitation Facilities
- Human health and safety impacts of manufacture, use and/or disposal
- Veteran owned businesses
- Use of local businesses.

Economic factors to be considered, but not limited to:

- Using an existing item or a contract already in place
- Buying only what you really need
- Long-term product performance and quality
- Life-cycle cost assessment or best value considerations
- Leveraging buying power
- Impact on staff time and labor.

Staff are encouraged to use independent, third-party social, and/or environmental product or service label standards when writing specifications for, or procuring materials, products, or services. Examples include EPEAT, Energy Star, and LEED Certification.

4.2 Evaluation Criteria or Contract Provision Requirements

Each contract shall include provisions (applicable to the purchase) that supplier shall comply with to facilitate meeting the requirements of this policy.

4.3 Evaluation of Suppliers

When evaluating potential supplier's sustainability efforts, supplier's responses may address one or more of the desirable practices. The greater the number of practices and the more detail the vendor can provide, the more likely they have integrated sustainability into their business practices. The scoring for RFP's will reflect suppliers' efforts when scoring sustainability criteria.

Desirable practices of suppliers include, but are not limited to, resource conservation, energy efficiency, renewable energy use, water conservation, waste reduction and recycling, reduced fossil fuel use, sustainable purchasing and packaging efforts, use of Minority, Women, or Emerging Small Businesses, fair trade and labor practices, and community engagement.

Suppliers shall complete a form providing an overview of their sustainability efforts for each contract.

5.0 Responsibility for Sustainable Procurement

The Purchasing staff is responsible for:

- (a) Preparing or revising bid documents and contract language where necessary to implement the sustainable purchasing policy.
- (b) Assisting with researching opportunities for procurement of recycled, less/non-hazardous and other environmentally/socially preferable products and communicating these to appropriate departments for evaluation and purchase;
- (c) Collecting data on purchases in order to track, report, and evaluate EWEB's sustainable procurement activities;
- (d) Posting information on-line for employees on sustainable procurement efforts, including specifications developed to help reduce greenhouse gas emissions from selected products.

EWEB Supervisors and Managers are responsible for:

- (a) Ensuring staff participate in the development of sustainable procurement specification and criteria as applicable to their department;
- (b) Ensuring staff use sustainable procurement specification and criteria, and follow best practices;
- (c) Encouraging pilot testing for environmentally/socially preferable/sustainable products;
- (d) Incorporate the use of sustainable products and services that meet business needs.

6.0 Exemptions

Nothing in this policy shall be construed as requiring a department or contractor to procure products that do not perform adequately for their intended end use or are not available at a reasonable price in a reasonable period of time.

Glossary

"Biodiversity": the total diversity of all organisms and ecosystems at various spatial scales (genes, populations, species, ecosystems, and biomes). Biodiversity is often used as a measure of the health of biological systems.

"Environmentally/socially Preferable": products or services that have a lesser or reduced effect on human health and the environment when compared with competing products or services that serve the same purpose. This comparison may consider raw materials acquisition, production, manufacturing, packaging, distribution, reuse, operation, maintenance, or disposal of the product or service.

"Life Cycle Assessment or Life Cycle Analysis (LCA)": the comprehensive examination of a product's environmental and economic effects throughout its lifetime including new material extraction, transportation, manufacturing, use, and disposal.

"Persistent, Bioaccumulative, and Toxic (PBT) Chemicals": chemicals that are toxic, persist in the environment, and bioaccumulate in food chains.

"Sustainable Procurement": purchasing materials, products, and services in a manner that integrates fiscal responsibility, social equity, and community and environmental stewardship.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
CC: Roger Gray, General Manager; Debra Smith, Assistant General Manager;
Erin Erben, Power Resources & Strategic Planning Manager.
FROM: Lisa Atkin, Power Planning Supervisor
DATE: April 22, 2013
SUBJECT: R&D Pilot Programs Quarterly Reporting Summary (Q1 2013)

Background

Today, the utility stands at a crossroads. Having enjoyed three decades of leadership in the energy efficiency arena, today's market reality of stagnant load growth mixed with an unfavorable wholesale energy market together with climbing peak demand requires that EWEB adjusts its business model and conservation strategies. By combining an array of energy efficiency combined with peak-demand response programs we believe we can be better placed to meet goals for both energy-efficiency and peak demand, while ensuring customers will continue to save money, and EWEB will be favorably positioned to utilize renewable resources like wind and solar power, helping us avoid building any new power plants for many years to come.

The purpose and intent of this memorandum is to provide a quarterly summary report of the developments, progress and challenges of the research & development pilot load management programs being undertaken by a cross-functional team. This quarterly reporting period ended March 31, 2013, and therefore captures information for CY2013.

Pilot Program Status at Year-End

Within EWEB's service territory there are currently six pilot programs in existence at various stages of operation, from the planning & design phase through to the final evaluation process. Appendix 1 defines current status by pilot program, offering additional insight and context to the pilots being undertaken.

Budget and Expenditures

For 2013, a budget of approximately \$601,757 (\$389,757 labor and \$212,000 non-labor) was approved and adopted by the EWEB Board of Commissioners to execute this work. Total expenditure for 1st quarter 2013 was \$87,410 (15% of budget), with 9% being for non-labor costs to cover customer participation incentives and contractor implementation costs incurred.

Observations

Reoccurring themes identified when considering challenges faced by the induction of any of the pilot programs mostly converge around the inevitable costs of the innovative and exploratory nature of this work. Staff continues to explore and implement methodology and approaches to work smart and utilize cost effective resources available in both the utility arena and the northwest geographical locality.

Next Steps

The 2013 budget includes resourcing for the development, implementation and operation of the residential TOU pilot program, which will result in providing a TOU rate structure to support demand response pilots already underway. By incentivizing behavior change via a TOU price signal, EWEB will be positioned to provide a more cost-conscious and effective accessibility option for participation by customers. This results in customers shifting from on-peak consumption to off-peak, affording EWEB the ability to effectively control loads during peak periods. It is anticipated that with successful implementation of this residential pilot program a commercial TOU pilot program will follow in 2014, further enhancing peak-shifting functionality.

Appendix 1: Research & Development Pilot Programs Status

		RESIDENTIAL PROGRAMS			COMMERICAL & INDUSTRIAL PROGRAMS		
		Residential Time Of Use (TOU)	Carina Water Heater	Steffes Water Heater	EWEB Water Pumping & Storage	Metro Waste Water	SnoTemp Cold Storage
Current Stage		Design/ development	Operational	Evaluation	Scoping	Operational & Planning (TOU)	Operational
INTERNAL PROCESS	Implementation	Bill presentment designed. Meter functionality defined and testing to commence.	38 sites with load shift control schedules.	Pilot ended 9/12. Sites Dcx or Carina converted.	TOU rate schedule required.	Phase 1 test plan development 2/13 target completion date 5/15/13.	Testing limits of DR capability.
	Evaluation	In process with Evaluation Team	Reviewing Ecofys analysis. Requesting EM&V work from previous pilot.	Final EM&V completed. Steffes data received for later evaluation.	SCADA in place. TOU meter change out under consideration.	Analysis of system/ subsystem SCADA data. Analysis of precipitation impact.	Developing baseline algorithm. Time response options being evaluated.
PARTNERSHIPS	Internal	Randomized customer solicitation list being finalized. Communications Plan complete.	Designing control testing protocol to create parameters for successful impact analysis.		Awaiting supervisor hire. Other stakeholders on board.		
	External	Deliverables received from EPRI for review.	Carina's application supporting DynDNS markedly improved communication.	Cadmus to review and provide feedback on completed Evaluation.	EWEB to share results with wider utility partners.	BPA DR contract completion 4/30/13.	Concept proposal for commercialized DR portfolio being submitted to BPA – due 4/22/13.
Hypothesis & Findings		Determine how TOU participants modify electrical usage, and the potential impact those modified behaviors can support peak shifting strategies. Evaluation not yet commenced.	Determining the feasibility of using residential water heaters to respond to a peak load shifting and thermal storage control strategy. Evaluation not yet commenced.	Determine the feasibility of using residential water heaters to respond to wind balancing signals, together with testing peak shifting and thermal storage capability. Evaluation in progress.	Demonstrate the ability to demand response to both increase load when extra capacity exists, and decrease load during capacity constraints. Evaluation not yet commenced.	Demonstrate the ability to demand response to both increase load when extra capacity exists, and decrease load during capacity constraints. Evaluation not yet commenced.	Demonstrate the ability to demand response to both increase load when extra capacity exists, and decrease load during capacity constraints. Evaluation not yet commenced.
Population Potential and/or Unit Savings		100% of the 78,000 residential customers. Unit savings to be determined in Evaluation phase.	Approx. 80% of residential customers. Unit savings determined in Evaluation phase.	Approx. 80% of residential customers. Savings impact to be determined in Evaluation phase.	This would impact EWEB facilities only. Unit savings to be determined in Evaluation phase	With a Commercial TOU in place, approx 10,000 C&I business would have accessibility to participate in peak load shifting initiatives. The potential impact to be determined in the Evaluation phases.	



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Dave Churchman, Power Operations Manager
DATE: April 26, 2013
SUBJECT: Trading Floor Overview
OBJECTIVE: Information Only

Issue Statement

This backgrounder has been prepared to provide the Board information on the functions performed by the trading floor.

Background

Commissioners have occasionally asked about the need to staff a trading floor. Often this question comes up when contrasting EWEB's business model to other regional utilities such as SUB. The intent of this backgrounder is to provide a summary of the rationale for staffing a trading floor in a Q&A format.

Discussion

What business critical duties does the trading floor perform?

Realtime / Day Ahead

- Remotely dispatches Carmen Smith / Trail Bridge hydro generation from downtown location and manages water flows from the project
- Runs BPA Slice river simulations and submits hourly production schedules to BPA
- Continuously meets load demand using EWEB generation and wholesale transactions
- Schedules all purchases, sales, transmission losses, and remote generation in and out of EWEB system and submits this information to BPA and counterparties via an electronic e-tag
- Purchases transmission to effect wholesale purchases and sales
- Provides trading and scheduling services to other utilities and generating facilities

Mid Term

- Negotiates and executes hedges out through five years for power and RECs in accordance with Board Policy and Risk Management Policy
- Forecasts BPA and EWEB hydro generation for use in hedging and financial forecasts
- Executes long term firm transmission contracts to import resources to EWEB
- Participates in structuring and negotiation of wholesale and retail contracts

What trading floor functions are mandatory for EWEB?

Although not comprehensive, the functions below are generally representative of the mandatory responsibilities of the Trading Floor.

- EWEB is registered as a GO (Generator Operator) and as a PSE (Purchase/Sales Entity) and is required by the North American Electric Reliability Corporation (NERC) to electronically tag all transactions that enter or leave EWEB's service territory, and to coordinate hourly generation and load forecasts with BPA. Because EWEB is a Generator Operator it is required by the Western Electric Coordinating Council (WECC) and NERC to staff a 7x24x365 operation that can respond immediately upon receiving a directive.
- Meet license requirements on the McKenzie River including rate of change in flows and reservoir levels at the Carmen Smith facilities.
- Comply and support regulatory requirements including
 - Emergency Action Plan for dam or canal failure
 - Sabotage Reporting of suspicious activity as required by NERC
 - Reliability dispatch of EWEB generation as directed by the WECC Regional Reliability Coordinator
- Bonneville Transmission Business Practices
 - Failure to follow BPA Business Practices results in severe financial penalties including:
 - Balancing EWEB generation and load on an hourly basis and adjusting electronic e-tags to match changes in generation
 - Reducing generation during oversupply declarations
 - Increasing or decreasing generation when directed by BPA for reliability

Can someone else perform trading floor functions?

- **BPA - No**
 - BPA will not operate, dispatch, or tag customer owned generation, including the BPA slice contract. BPA does provide full requirements service to customers such as SUB that do not have generation. Utilities such as Emerald PUD contract with a scheduling provider to perform these services.
- **EWEB Dispatch – No**
 - FERC has implemented standards of conduct – functional separation between transmission and merchant functions.
 - As a municipal EWEB is not subject to FERC jurisdiction, however FERC has broader authority under Federal Power Act – while it is generally reluctant to use this authority, FERC is exercising its authority over BPA under this statute currently.
 - FERC jurisdictional transmission providers (IOU's) cannot work with trading employees – if dispatch were to take over trading floor responsibility BPA and

PacifiCorp could not coordinate with them on transmission outages – this would be very problematic.

- Dispatch is not staffed or trained to perform the required functions.
- **Third Party Contractor – Yes**
 - Issues
 - BPA is very restrictive regarding the parties that are allowed to schedule the Slice product because they view the information required to schedule Slice as competitive information. Therefore, non-BPA customers that trade in the wholesale market are restricted from providing slice scheduling services.
 - Loss of hands on local control, including ramping on the McKenzie River.
 - Would require EWEB oversight to coordinate and manage a contractor.
 - License requirements – EWEB would still subject to FERC penalties, but would not have control of resource.
 - EWEB would still be responsible for NERC compliance, but would not be in control.
 - Only four parties currently provide power scheduling services in the NW
 - TEA – 9 slice customers, has never operated dispatchable hydro resources
 - Powerex – Chelan County PUD Real Time only, restricted by BPA from providing slice scheduling.
 - EWEB – Clatskanie, and multiple others
 - Douglas PUD – Schedules for Okanogan PUD

Has EWEB investigated the possibility of contracting out trading floor functions?

- Yes, however there are critical logistic and communication issues because the hydro facilities and Scada system used to control them are NERC critical/cyber assets which require a high level of both physical and network security. However, EWEB did talk with TEA and Shell on a preliminary basis about providing scheduling services. BPA determined that Shell was restricted from providing Slice scheduling services. TEA lacks experience scheduling hydro facilities but did provide a rough estimate that was not competitive with the cost of EWEB self staffing the trading floor.
- EWEB staff believes that there is not currently a competent, competitive alternative to self providing these services. Because EWEB provides scheduling services to other parties, we are able to significantly defray the costs of the trading floor to the EWEB customers.

Recommendation/Action

- This backgrounder is for information only. No action is recommended.