



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Schlossberg, Carlson, Brown, and Helgeson
FROM: Frank Lawson, General Manager
DATE: July 28, 2020
SUBJECT: Strategic Planning
OBJECTIVE: Discussion/Guidance

Issue:

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

Background

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

In 2018, Commissioners directed the General Manager to modify the strategic plan to more clearly define EWEB’s role in Climate Change, and to include both physical and psychological safety within our Core Values.

In early 2020, Management presented information to Commissioners on strategic status and progress, including a year-end assessment of projects and a summary of customer confidence as assessed using two independent survey methods. Based on that check-in, EWEB appears in the early/mid stages of Phase II “Create Consumption Flexibility” of the strategic plan.

Discussion

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

Strengths

1. Two big ones are still relevant – these were based on significant issues facing the utility throughout the next decade
2. The “Phases” present a future vision mixed with near-term focus/activities/actions
3. The SAFETY (physical), RELIABILITY, and RESPONSIBILITY (affordability) Values are well defined and quantifiable
4. The plan is driving measurable (qualitative and/or quantitative) organizational progress and broadened thinking and planning

Weaknesses

1. “Emergency Preparedness and Disaster Recovery” is too limiting, and doesn’t include the overall resiliency, specifically financial or workforce, needed to ensure future success amidst a multitude of threats (e.g. pandemic)
2. RESPONSIBLE (environmental) and COMMUNITY Values are not well defined
3. Strategic “Implementation” needs a tighter link with Core Values
4. Phase II activities/actions need more precision as we evolve.

Open Issues

1. What’s EWEB’s role (and what drives the level of involvement) in non-mission-driven issues/activities with general community impact (e.g. economic development, housing/rental stock improvements, limited-income aid/support, climate change mitigation)?

Recommendation

Based on consultations with Commissioners over the past three years, Management can provide a suggested revision to the Strategic Plan based on the Board’s collective knowledge and experience, along with reactions from customers and other sources throughout that time. This new revision would not deviate from the general provisions of the current plan but would attempt to address most of the weaknesses/issues identified in the present plan.

However, because of EWEB’s present focus on operating effectively through the pandemic recovery period, and the recognition that in 2021 the Board will consist of three Commissioners (including two new members) who did not participate in the present Strategic Plan’s process, Management is comfortable with using the present strategy to guide Board discussions and decisions until a new Board assembles.

Requested Board Action

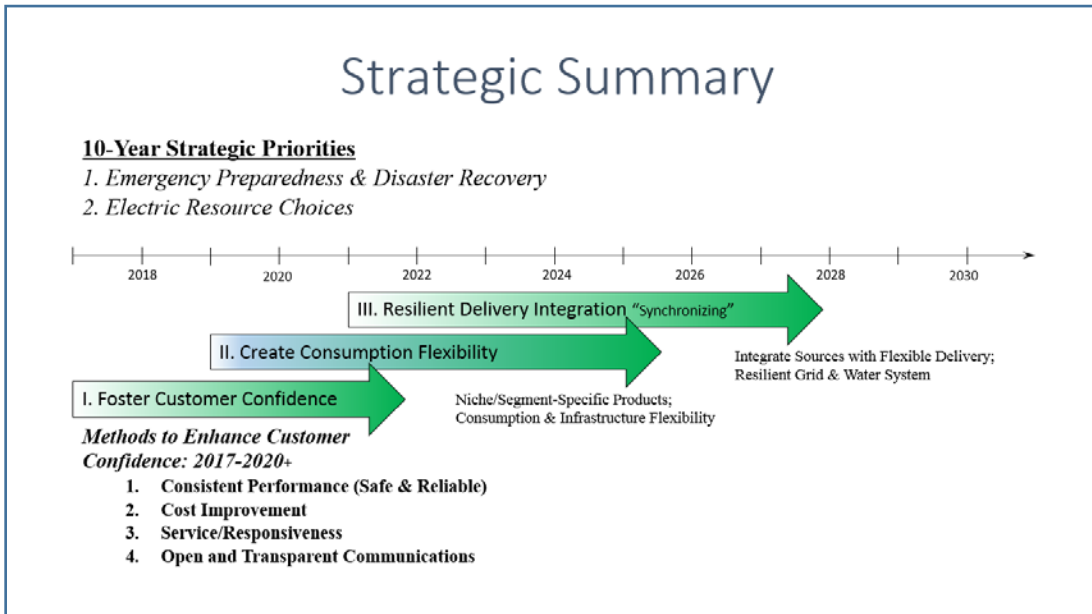
Management is seeking guidance on the strategic plan and planning process, including Commissioners perspectives on open issues and opportunities that will confront the utility in the future.

Attachment(s)

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

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

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



Purpose

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

Introduction

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

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

Strategic Priorities...the two “Big Ones”

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

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

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

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

10-Year Strategic Priorities...the two “Big Ones”

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

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

Vision

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

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

Mission

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

Mission Statement

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

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

Values

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

Organizational Core Values

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

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

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

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

Fundamental Legacy

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

Strategic Evolution

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

Initial Phase Strategic Summary

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

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

Strategic Phases

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

Phase I – Foster Customer Confidence

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

Methods to Enhance Customer Confidence: 2017-2020+

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

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

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

Phase II – Create Consumption Flexibility

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

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

Phase III – Resilient Delivery

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

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

Future State Business Model

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

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

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

Essential Operations

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

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

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

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

Strategic Investments

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

Infrastructure Replenishment & Replacement (Capital) - Water & Electric

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

Power/Energy Resource Planning (beyond supply chain management)

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

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

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

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

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