

SPRINGFIELD UTILITY BOARD

223 A STREET, SUITE F
SPRINGFIELD, OR 97477

MINUTES

September 12, 2007

The regular session of the Springfield Utility Board was called to order by Chair Adams at 7 p.m.

ATTENDANCE: Board: Bobbie Adams, Chair; Virginia Lauritsen, Vice Chair; Ken Boyst; Theodore L. Johnson; Joe Mathieu. Staff: Bob Linahan; Jeff Nelson; Bob Fondren; Ray Meduna; Judy Berra; Matt Cox and Mary Bridget Smith, Attorneys for the Board. Others: Ken Vogeney.

MINUTES: * Ted Johnson motioned, and Ken Boyst seconded, to accept the Mid-year Budget Committee minutes and the regular Board minutes for August 8, as presented. This motion **CARRIED** unanimously.

ACCOUNTS PAID: * Joe Mathieu motioned, and Ken Boyst seconded, to approve the accounts paid listing, as presented. This motion **CARRIED** unanimously.

BUSINESS FROM THE AUDIENCE: None.

BUSINESS FROM THE BOARD: Board members commended SUB employees who organized SUB's Employee BBQ-in-the-Park on August 23 at Island Park. Everything was very nice and the food was delicious.

Public Hearing on the Proposed Green Power Rate Chair Adams opened the public hearing on the proposed Green Power rate at 7:12 p.m. and invited SUB's Director of Resource Management, Jeff Nelson, to give a presentation on the proposed rate.

Jeff Nelson referred to his overheads (Exhibit A), noting that SUB is required by Oregon law to have a Green Power rate and that our customers have requested this option. All of our surrounding utilities offer a Green Power rate program, he said, and the typical participation rates are about three percent of retail sales.

Mr. Nelson emphasized that Green Power is an optional service that SUB electric customers may elect to purchase, but it will not replace their existing service. They will continue to be billed under the existing rate schedule. This new service will just be an option where customers can contribute towards buying Green Power.

He explained that staff's objectives were to have SUB's Green Power program be consistent with legislation for Renewable Portfolio Standards (RPS); have the lowest reasonable cost to SUB; be accessible to all customers; have stable rate design; and require only minimal changes to SUB's billing system.

The proposal is that SUB would purchase wholesale Renewable Energy Credits (RECs) and offer them to its retail customers under a Green Power program, Mr. Nelson said. These RECs are also known as Green Tags, which are property rights to the environmental benefits from generating electricity from renewable energy sources. He explained that we are not actually going to have power electrically delivered to our system, but we are acquiring the property rights of different outputs of renewable resources on paper.

RECs can be sold and traded and the owner of the REC can legally claim to have purchased renewable energy, said Mr. Nelson. Many utilities, such as EWEB, EPUD, Blachly-Lane and Lane Electric, purchase and sell RECs under their Green Power programs.

He reviewed a graph on how the program works. The REC has two pieces—the REC and Commodity Energy. The REC is broken apart and Commodity Energy is sold off as Market Power and is not sold as renewable energy after the REC has been taken away, he said. The RECs would be purchased by SUB and SUB will sell them to its retail customers. We can also bank them to meet our RPS obligation in the future where we have to purchase a certain amount of power that comes from renewable resources.

Mr. Nelson next discussed cost and quantity. The indicative lowest pricing from five REC suppliers that staff has spoken with is \$5.5 per megawatt hour for a 3-year product, which

breaks down as 75 percent biomass and 25 percent wind. For a 4- and 5-year product, the price jumps to about \$9.5 per megawatt hour, so there is an indication of an upward trend in pricing, he said. If SUB did a 5-year product, the melded price would be about \$7 per megawatt hour.

Three percent of SUB's load is approximately three average megawatts, so the cost per year is going to range between \$145,000 to \$184,000, he said.

Under the proposal, SUB would actually start purchasing the RECs in 2008, said Mr. Nelson. The program would start October of this year and, to the degree that people contribute to the Green Power program, we would start offsetting the credits that we purchase in 2008 by the amount of activity that we are getting in the retail sales.

Regarding annual revenues, Mr. Nelson explained that three percent of sales, which is the typical response rate for utilities, would be about three average megawatts for SUB. If we sell two average megawatts under the retail program, SUB would make about \$175,000 per year, and then one average megawatt would be banked to meet our future RPS obligation.

We may not get a lot of activity in the first year, but as the program matures, we may get more, he said. By the end of the fifth year, we might be selling three average megawatts whereas in the first year we might only sell one average megawatt.

Mr. Nelson then explained what "banking" meant as it pertained to RECs. Oregon RPS allows utilities to use RECs to meet RPS obligations. So, under Oregon law, instead of buying a wind resource, SUB can invest in a natural gas resource and "marry" the RECs that we purchase to that non-renewable resource to create a renewable resource, he said. And under the current law, we can bank indefinitely all the RECs that we purchase.

Mr. Nelson reviewed the rate design and marketing. Under this proposal, SUB's electric customers may choose to purchase unlimited numbers of Green Power blocks, subject

to a limit based on total projected customer annual electric usage, he said. We will charge \$1 per month for each REC block; and a REC block is equivalent to 100 kilowatt hours. The program start date will be October 1, 2008. Customers may opt in or out of the program at any time.

The program will be marketed as SUB's "ECOchoice Green Power Rate—Easy, affordable green power from SUB", he said. This will give us an opportunity to let our customers know that 80 percent of SUB's power supply is currently coming from renewable resources.

Mr. Nelson acknowledged the following SUB staff that helped him put together the program proposal for the Green Power Rate: Nathan Cawood, Meredith Clark, Ellen Frances, Gregory Hayes, Marc lePine, Brenda Owen and Linda Pratt.

Mr. Nelson asked that, after the public hearing, the Board adopt Resolution 07-5, approving the proposed Green Power rate and consider authorizing the General Manager to sign a five-year agreement to purchase three average megawatts of wholesale RECs for an amount not to exceed \$1,000,000. He noted that the General Manager will provide the Board with an update on what was done on the wholesale purchase after it is concluded.

The Board thanked Mr. Nelson for his presentation and said they also liked the name "ECOchoice" and the slogan that will be used in SUB's marketing program.

Chair Adams asked if there was any public comment regarding the proposed Green Power rate.

As there was no public comment, Chair Adams closed the public hearing at 7:30 p.m.

Chair Adams asked if the Board would like to have a discussion before taking action on Resolution 07-5.

There was no further Board comment.

Consideration of
Resolution 07-5, Adopting
the Proposed Green
Power Rate

- * Joe Mathieu motioned, and Ted Johnson seconded, that the Board adopt Resolution 07-5, as presented, and give the General Manager authorization to enter a five-year agreement to purchase three average megawatts of Green Power (RECs) for an amount not to exceed \$1,000,000, and that the General Manager is to inform the Board on the actual cost of the Green Power. This motion **CARRIED** unanimously.

BUSINESS FROM THE
GENERAL MANAGER:

Set October Date for Board
Retreat and Discuss
Agenda Topics

Mr. Linahan asked the Board members which Saturday in October they would like to schedule their retreat.

After a brief discussion, the Board's consensus was to meet on Saturday, October 13, from 9:00 a.m. until Noon, and breakfast will be provided. The General Manager will prepare an agenda that will include discussion regarding BPA tiered rates as well as EWEB's Joint Water Study.

Request for Approval to
Renew SUB's Project
SHARE Contract with
Catholic Community
Services of Lane
County, Inc., for 2007-09

SUB's current contract with Catholic Community Services for administration of the Project SHARE funds is due to expire October 30, 2007, Mr. Linahan said. Therefore, we need the Board's approval to renew this contract with Catholic Community Services for two years, from 2007-09. The heating season runs from November 1 through April 30, he said, and noted that there are no changes from the previous contract. The administration fee for the contract remains at 15 percent of the total program funds administered, and the administration fee is paid periodically rather than all at once at the end of the heating season. Mr. Linahan recommended

that the Board approve the renewal contract with Catholic Community Services, as presented.

- * Virginia Lauritsen motioned, and Joe Mathieu seconded, to approve the 2007-09 contract with Catholic Community Services of Lane County for the administration of SUB's Project SHARE funds, with an administration fee of 15 percent of the total program funds for the annual heating season from November 1 through April 30, and pay the administration fee periodically rather than all at once at the end of the heating season. This motion **CARRIED** unanimously.

Bid No. 41.07 for
Underground Cable

Mr. Linahan said that the Electric Division recently solicited bids for 15,000 feet of aluminum underground cable to be used for projects and stock in 2007. Three bids were received. Staff recommends that the Board award Bid 41.07 to HD Supply for the lowest bid meeting specification in the amount of \$92,790.

- * Ken Boyst motioned, and Virginia Lauritsen seconded, to award Bid No. 41.07 to HD Supply for the lowest bid meeting specification in the amount of \$92,790 for 15,000 feet of aluminum underground cable to be used for projects and stock in 2007 (Exhibit B). This motion **CARRIED** unanimously.

APPA's Electric Market
Reform Initiative

Mr. Linahan said that SUB has been asked to participate again in APPA's endeavor to address the failures of the open power markets and the RTO (regional transmission organization)-run markets. Last year SUB contributed \$2,000 to support APPA's efforts with this initiative. This year APPA is asking SUB for a \$5,000 contribution. He asked the Board if they wanted to financially support this cause again and, if so, to what extent.

Board consensus was to support APPA's Electric Market Reform Initiative and contribute \$3,000 this year.

Advertise for New Budget
Committee Member

Brad Anderson has resigned from SUB's Budget Committee due to his job being relocated to Washington, explained Mr. Linahan. He asked if the Board would like to advertise at this time for applicants to fill this vacancy on SUB's Budget Committee.

Board consensus was to advertise for applicants and hopefully interview candidates at the October meeting.

ADJOURNMENT:

The meeting was adjourned by consensus at 7:43 p.m.

Bobbie Adams, Board Chair

ATTEST:

Robert C. Linahan, Board Secretary