



INTEROFFICE MEMO

EUGENE WATER & ELECTRIC BOARD
CORPORATE SERVICES DIVISION

TO: Commissioners Menegat, Simpson, Lanning, Farmer and Brown
FROM: Megan Capper, Power Risk Analyst
DATE: September 10, 2007
RE: Risk Management Policy Clarification

ISSUE STATEMENT

Our wholesale bank counterparties are seeking clarity on EWEB staff's trading authority.

BACKGROUND

The original intent of the Risk Management Guidelines (RMG) adopted in November of 1998 was to allow the Trading Floor to enter into contracts for the purchase and sale of power and financial products with a term up to twelve months.

In 2002 the energy crisis created an awareness regarding companies authority to trade. EWEB began getting questions and requests for our RMGs. At that time our original wording used in the RMG was not clear enough for our new counterparties so we went to the Board in September 2002 for clarification in the form of a Board Resolution.

In the past two years the make up of our counterparties has changed to include more banks. We have spent much time convincing these banks we have approval to trade beyond 12 months from the trade date. In order to put this issue to rest, we decided to get a legal opinion from our lawyers. As a result, our lawyers, Cable Huston Benedict Haagensen & Lloyd, LLP, have recommended we seek clarification once again from the Board.

DISCUSSION

The confusion is around EWEB's authority to trade power beyond one year. Our counterparties interpret our policy to be that EWEB may only trade within one year from the trade date instead of its original intent which is that EWEB may trade as long as the term, or start date to end date is no greater than one year in duration.

BOARD OPTIONS

A. Ratify existing policy

Clarifying the duration of the transaction shall be measured from the date that delivery or performance is scheduled to begin until the date that delivery or performance is scheduled to end, regardless of when the transaction was entered into. This option enables us to trade with counterparties out three years, consistent with our current hedging policies.

B. Leave the September 2002 Board Resolution in its current form

No action would be taken at this time. Some counterparties would maintain the impression that EWEB does not have authority to trade any period beyond 12 months from the current date. This option would limit the number of counterparties EWEB is able to trade with three years out, consistent with our current hedging policies.

C. Adopt a new policy

The Board could decide to have an entirely new policy. Under this option EWEB staff would need to come back with a different recommendation based on new objectives provided by the Board.

RECOMMENDATION

Adopt the attached revised Resolution Ratifying and Approving Wholesale Power Risk Management Policies and Guidelines. In this memo we are not asking for additional authority but for clarification consistent with the original intent of the policy and work we have been doing.

I would be happy to address any questions or concerns regarding this item ahead of the meeting. Please feel free to contact me at Megan.Capper@eweb.eugene.or.us or 484-2411 extension 3429.

EUGENE WATER & ELECTRIC BOARD

RESOLUTINO NO. 0723

**RESOLUTION CLARIFYING WHOLESALE POWER
RISK MANAGEMENT GUIDELINES AND AUTHORITY**

WHEREAS, The Eugene Water & Electric Board (“EWEB”) is a municipal electric utility engaged in the purchase and sale of electricity for the purpose of meeting native load, balancing supply and demand, and minimizing costs;

WHEREAS, ORS 261.348 authorizes municipal electric utilities to enter into transactions for the production, supply and delivery of electricity on an economic, dependable and cost-effective basis, including financial products contracts and other service contracts that reduce the risk of economic losses in such transactions;

WHEREAS, the Eugene Water & Electric Board of Commissioners (Board) has previously delegated to the General Manager authority to enter into contracts for the purchase and sale power and financial products up to and including one year in duration.

WHEREAS, the Board in response to concerns by trading counterparts desires to reaffirm and clarify the authority granted to the General Manager.

NOW, THEREFORE, the Eugene Water & Electric Board does hereby resolve as follows:

1. The EWEB General Manager may enter into transactions for the purchase and sale of power or related physical or financial products for a duration not to exceed one year without further consent from the Board. For purposes of this Resolution, the duration of the transaction shall be measured from the date that delivery or performance is scheduled to begin until the date that delivery or performance is scheduled to end, regardless of when the transaction was entered into;
2. The General Manager may delegate this authority to other members of the EWEB staff.

Dated this 18th day of September 2007.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, KRISTA K. HINCE, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its September 18, 2007 Regular Board Meeting.

Assistant Secretary