



INTEROFFICE MEMO

EUGENE WATER & ELECTRIC BOARD
EMPLOYEE, CUSTOMER AND COMMUNITY SERVICES DIVISION

Rely on us.

TO: Commissioners Farmer, Brown, Cassidy, Cunningham and Ernst

FROM: Mike Logan, Key Accounts Program Manager DATE: September 30, 2009

RE: Steam Utility Transition Plan – Update (Good News from ODOE!)

Issue

Staff has been progressing with the implementation of the Steam Utility Transition Plan (previously adopted material attached for your convenience) and is updating the Board.

Background

Since the Board adopted Strategic Direction No. 18, called the “Steam Utility Transition Policy” followed by Resolution No. 0845 (“Steam Utility Transition Plan”) to implement that policy, staff has been completing work identified within the designated “Task Areas” to implement the Transition Plan to accomplish a managed transition out of the steam business.

Most of our focus this year has been under two areas:

- Task Area #3: Steam Customer Conversion Assessment
- Task Area #4: Steam Customer Financial Assistance Approach - Loans

There is very good news to report: You may recall that I mentioned to the Board at the August 4 Board meeting my pledge to you to expect a definitive financing approach “...within the next 45 days.” I am pleased to report that on September 29, we received confirmation from the Oregon Department of Energy (ODOE) that the Small Scale Energy Loan Program (SELP) will be available for our steam customer fuel conversion projects. This is huge, as the funding required for a loan approach is estimated to exceed \$10 million.

Discussion

Task Area #3 - Steam Customer Conversion Assessments Underway: Following the Board’s approval of the McKinstry contract at the August 4 Board meeting, staff has begun the 12 -15 month process of working with individual steam customers to assess fuel conversion requirements and costs for each building, which is the first step in the conversion process.

The assessments are being completed on behalf of our steam customers at no cost, with EWEB paying the \$247,000 McKinstry contract. On September 4, we received a formal response from ODOE on our original “RD&D” project application in the form of a “Pre-Certification” for a Business Energy Tax Credit “Pass-Through.”

Thanks in part to efforts from our local state legislative representatives (Paul Holvey, Nancy Nathanson, Floyd Prozanski and more recently, the newest legislator, Representative Chris Edwards, who has offered his help), we received this formal notification from Andrea Simmons, Assistant ODOE Director granting EWEB a “Preliminary Certificate” for the initial study phase of the project via a tax credit “pass through” under the Business Energy Tax Credit (BETC) program. We are estimating the amount of the credit at about \$60,000 (e.g. 25% of the total cost of the study phase). The soonest we expect to see these funds would be early 2011 or late 2010.

The assessment will provide each customer with a “least cost” fuel conversion approach along with other alternative option(s) for their consideration. The initial draft reports on the first three buildings are in the process of being completed. Completed applications to SELP and BETC programs are attached to each building report, ready for submittal to ODOE.

Once the draft report findings are reviewed, discussed and finalized with the customer and building owner, a registered letter will accompany the delivery of the final report, outlining the assistance available to them. In relaying the news to us yesterday, ODOE asked our process to include a separate letter from the ODOE, along with a loan application for SELP funds.

The terms available through SELP are very favorable and getting the go-ahead from ODOE was huge. Now, we know we’ll have access to loan terms that we can customize “budget neutral” loan payments for steam customers...something that was not possible from any other lender we spoke with, who balked at the 10 – 20 year amortization period needed for smaller businesses.

Following delivery of the final report and loan application, our key account managers will work to customize the optimal approach with each customer as needed to get them to progress toward fuel conversion, which is entirely at the discretion of the building owner(s).

In determining the order of buildings in this initial site assessment phase of work, staff is applying several criteria, beginning with *public safety*. That is, any higher risk sections of the distribution system with merit to be taken off line sooner than other sections, such as in those high vs. low pressure sections, sections that run through an existing building or other potential safety considerations. In addition to public safety, we are also considering the following as we schedule each building:

- Economics / Operational Efficiency
- Coordinating With Planned Public Works Projects (e.g. 6th & 7th Avenues)
- Avoiding Major Unplanned Capital Expenditures
- Customer Readiness

Task Area #4 -Financial Assistance Approaches Progressing: Multiple efforts are underway to leverage all available funding opportunities:

SELP Loans – Coordinated Approach Underway: With the news about SELP access to EWEB steam customers less than 24 hours old, we’ve already been discussing specific details and optimal process to leverage our efforts between McKinstry and ODOE.

EWEB Board of Commissioners

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One example is granting ODOE access to the website where McKinstry's draft building reports reside to help expedite ODOE review of the draft building reports.

We are seeking to include SELP / BETC applications to the review process we have in place with McKinstry for ODOE's program staff review and approval to the fullest extent possible. However, loan qualifying will need to be done separately between the customer loan applicants and ODOE.

City of Eugene Federal Stimulus Funds Earmarked for Steam Transition: Staff has been working closely with the City to leverage a portion of the Energy Efficiency & Conservation Block Grant funds to direct toward four of their buildings (Hult Center, Parkade Building, Atrium and Overpark). We understand the total expected to be applied to the four buildings is approximately \$515,000 with an additional \$300,000 we are collaborating on for a possible loan fund (which we will continue to pursue with the City as a potential source for contingencies until all of the details are developed on our primary SELP-funded approach). This is significant as the City's total allocation received under the federal stimulus program was \$1,485,000.

Leveraging Energy Trust of Oregon (ETO), Northwest Natural and EWEB Energy Management Funds: Northwest Natural is standing by to complete line extensions on the buildings identified where natural gas is the chosen alternative. We've now developed a common map of steam lines and natural gas lines to coordinate with McKinstry on site visits. Northwest Natural reports that nearly all the buildings are accessible and will work with us on those that present any access challenges. We are also well positioned to leverage funds on energy efficiency with our own energy efficiency programs and have included ETO staff in our discussions and report sharing via our web access process.

Other Funding Developments: Lane County also is using \$500,000 in federal stimulus funds to convert the jail. Staff worked closely with McKinstry in doing the technical assessment of the jail to make this possible.

Recommendation

None.

Requested Board Action

No formal action from the Board is requested. However, I do suggest that the Board consider signing a letter of thanks to ODOE and our state legislators, acknowledging the importance of adding them to our effort to accomplish this major energy transformation in downtown Eugene. I will work with Jason Heuser on drafting letters for your consideration.

RESOLUTION NO. 0845

EUGENE WATER & ELECTRIC BOARD
STEAM UTILITY TRANSITION PLAN

WHEREAS, EWEB approved Resolution No. 0826 on September 16, 2008, which adopted Strategic Direction No. 18 and directs the General Manager to develop a Steam Utility Transition Plan to ultimately shut down the steam utility.

WHEREAS, staff has presented to the Board an outline of the Steam Utility Transition Plan in Board Correspondence dated December 9, 2008.

NOW, THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board makes the following findings:

- Significant loss of steam customers has occurred since the 1980s
- Eroding customer base shifts steam utility costs to remaining customers
- Future steam operations are highly vulnerable to fuel cost volatility
- Retail steam costs are not competitive with other available fuel choices
- Steam staffing has been significantly cut over the years, with 6 employees remaining to run the entire operation
- Financial outlook is not favorable for continued steam utility operation
- Steam plant is single highest source of carbon output by EWEB

BE IT FURTHER RESOLVED that the Board authorizes, delegates and directs the General Manager to implement the Steam Utility Transition Plan and ultimately work toward shutting down the steam system.

DATED this 16th day of December 2008.

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

I, KRISTA K. HINCE, the duly appointed, qualified and acting Assistance Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the of the Resolution adopted by the Board in its September 16, 2008 Regular Board Meeting.

Assistant Secretary

Steam Utility Transition Plan:



A Managed Approach for Discontinuing Steam
Operations While Mitigating Impacts to EWEB's
Downtown District Heating Customers

December 9, 2008



Summary of Approach:

Context, Strategies and Considerations

CONTEXT FOR THIS PLAN: The Board adopted Resolution No. 0826, pertaining to Strategic Direction 18 (called the “Steam Utility Transition Policy”) on September 16, 2008. The resolution directs the General Manager to develop a “Steam Utility Transition Plan” outlining an approach to shut down and decommission the Steam Utility while incorporating specific considerations in developing the plan.

While the Board may have adopted this plan, the success of the actual implementation will require a high degree of flexibility as more certainty emerges with some of the key fundamental aspects on which this plan is based, such as the availability of financing given the global credit crisis and the extent that EWEB is successful in acquiring funding via the Oregon Department of Energy.

The need for this plan is in anticipation of the following operating scenario for the Steam Utility over the next five years, that assumes a significantly reduced sales volume due to an eroding customer base, beginning with our largest customer (Peacehealth). Their move to a new location is expected to result in a 60 percent reduction in their steam consumption, beginning in 2009:

Preliminary Estimate of Steam Cash Flows: 2009 - 2012				
(In Thousands)				
	2009	2010	2011	2012
Receipts	\$3,700	\$3,300	\$2,400	\$1,700
Costs	\$3,700	\$3,500	\$3,100	\$2,700
Cash Deficits	\$0	(\$200)	(\$700)	(\$1,000)
No. of steam customers @ beginning of year	78	75	69	58
Full cost recovery / Klb.	\$30.40	\$32.60	\$35.40	\$57.40

BOARD REVIEW / ACTION: The implementation of the Steam Utility Transition Plan follows the adoption of a Board resolution authorizing the General Manager to implement the plan, which staff requested from the Board on December 16, 2008. The plan calls for implementation to continue until the last customers are transitioned off the system, and no later than June 30, 2013.

MAINTAINING STEAM SYSTEM OPERATIONS: Continuing to operate the steam system in an expected challenging economic environment over the next 2-5 years will be difficult. The strategy to try to accomplish a transition period to allow for a “softer landing” for steam customers is not without risk, and could result in a shorter than desired transition period for EWEB and many of EWEB’s downtown district heating customers if the operating conditions for the steam utility are worse than expected, such as:

1. **Insufficient steam load / customer base in order to operate steam boilers.**
2. **Price elasticity impacts are greater than expected for steam customers.**
3. **Insufficient staff to continue to operate the plant and meet customer needs.**
4. **Natural gas hedging cannot adequately mitigate fuel price volatility.**
5. **More than expected system repairs are required to keep the plant operating.**
6. **Re-configuring steam generation to smaller boiler cannot be accomplished.**
7. **EWEB / UO Intertie is not a viable option.**

In addition, the availability of capital in the lending markets for customers to access to switch to an alternative fuel may be hard to come by given current economic conditions. Property owners who may not pay their facility steam bills may not be sufficiently motivated to act and may defer action until they absolutely have to, which could further impede EWEB's customer transition efforts.

All of this uncertainty suggests that the plan needs to be a dynamic, "living" document, and may need to be adjusted periodically as more is learned about the critical components to its' success.

Approach for a Managed Steam System Decommissioning Process: To mitigate the risk factors described above, a multi-faceted approach will be needed on several fronts, in order to achieve a managed transition for customers to an alternative fuel. The following are the key strategies that staff intends to pursue, and are outlined in more detail in the following sections:

1. Secure a 3 year contract with Peacehealth
2. Assist customers with their transition to an alternative fuel
 - a. Focus on higher cost points of delivery for earlier departure, working from the system perimeter to the core downtown area
 - b. Fund and complete an engineering study on all steam customer facilities
 - c. Offer financing to convert steam customers to an alternative fuel
3. As customer load declines, re-align steam production with customer load requirements by pursuing two options¹:
 - a. Develop wholesale steam agreement and re-locate UO / EWEB intertie or;
 - b. Re-configure steam plant

¹With customer load erosion expected to fall below the minimum load threshold needed to continue operating the primary boiler, a steam production alternative is needed to offer a customer transition period beyond mid-2011. With the Oregon Research Institute's new building expected to break ground in the spring, 2009, staff has been focusing on the UO / EWEB intertie, which will need to be coordinated and re-located when the ORI project breaks ground.

Without a re-configured steam plant or a UO intertie, the system shut down will likely occur mid-year, 2011.

Policy Considerations:

The following are the specific considerations that staff is incorporating into the Steam Utility Transition Plan in accordance with the Board's Steam Utility Transition Policy:

- ***Public Involvement:*** Proactively engage customers, the community and appropriate stakeholders in a public process to develop the transition approach to shut down the steam system.
- ***Financial Assistance:*** Provide reasonable financial assistance to assist customers with transitioning to another fuel source. Seek to leverage programs and services available within EWEB and with other public and private entities to apply toward a coordinated steam customer transition effort.
- ***Environmental Stewardship:*** Provide appropriate funding as needed for when future downtown developments require steam distribution lines located within public rights of way to be addressed, such as in cases where asbestos abatement actions need to be taken.
- ***Reasonable Transition Period:*** To allow more time for steam customers to transition to an alternative fuel, pursue strategies to make it more feasible to continue operating the steam utility throughout the desired transition period.
- ***Electric Utility Cost Considerations:*** Be cognizant that the steam utility is an electric utility asset, and that continuing to operate a transition period beyond 2 - 5 years is highly unlikely without a significant financial impact to the electric utility.
- ***Social and Community Considerations:*** Minimize the impacts to the downtown area by coordinating steam customer system conversion construction efforts to the fullest extent possible.
- ***Encourage Energy Efficiency:*** Encourage customers to make wise choices, both from an energy efficiency and environmental perspective.

The following is a summary outline of the approach staff intends to pursue to accomplish a managed transition in accordance with the above considerations. Attached is a more detailed outline of the plan.

Summary Outline: Major Task Areas Only

1. Peacehealth

- Finalize contract with Peacehealth

2. Steam System Operations

- Re-configure steam production to align with eroding customer load (by 2011)
 - *Option 1: UO / EWEB Intertie*
 - *Option 2: Re-configure steam plant to align with reduced load*

3. Steam Customer Conversion Assessment

- Develop individual customer facility / system assessment
- Develop approach to work from perimeter to system core

4. Steam Customer Financial Assistance Approach - Loans

- Develop appropriate transition “package” for steam customer groups
 - *Customer Financial Assistance*
 - *Technical Assistance*

5. Steam Utility Financial Scenarios

- Develop estimates of potential steam system financial losses for 2010 – 13
- Develop financial scenarios based on loans (e.g. ~\$12 million, excluding Peace health, with we would approach separately, as requested upon completion of their contract) via Oregon Department of Energy financing (via ODOE’s Small Scale Energy Loan Program)

6. Employees - Support, Retention & Communications

- Employee Engagement
- Workforce Planning, Employee Support & Retention
- Bargaining Unit Issues

7. Environmental

- Ensure environmental considerations are addressed to the fullest extent possible.

8. Communications and Public Involvement

- Implement customer contact plan
- Periodic updates to all steam customers, EWEB customers as a whole
- Periodic check-in with Board
- Apply APPA Public Participation model

9. Transition Period Implementation Review & Modification

- Continually assess customer transition progress and steam operations going forward, modifying plan accordingly

Steam Utility Transition Plan: Detailed Outline (December 9, 2008)

Task Area #1: Peacehealth

Lead: Steam Operations

Technical Support: Key Accounts

1. Seek to re-negotiate a contract with Peacehealth. Current four-year contract expires on December 31, 2008. Seek a three-year contract. Continue to discuss options to extend the term of the agreement for two optional one-year periods if needed.

Task Area #2: Steam System Operations

Lead: Steam Operations

Technical Support: Key Accounts

1. Re-configure steam production with customer load. As customer load declines, it will be necessary to re-align steam production to accommodate a lower customer load threshold at some point, which is estimated to occur by July, 2011 based on the current rate of load erosion. When boiler capacity becomes too great for the existing customer load, two options are being pursued:

Option 1: UO / EWEB Intertie:

- Confirm points where EWEB steam load and UO production would align such that EWEB loads and UO capacity would be optimal to allow for UO options.
 - Develop a 3-5 year steam production concept for UO to serve in that capacity – determine mechanisms / agreements that need to be in place

Option 2: Re-configure EWEB steam generation to align with reduced load

- Confirm points where EWEB customer steam load is approaching the point where smaller boiler would be required
 - Current point where customer steam load expected to reach critical minimum load threshold (10,000 lbs per hour): ~July, 2011.
 - Obtain cost estimates for steam plant re-configuration

Task Area #3: Steam Customer Conversion Assessment

Lead: Key Accounts

Technical Support: Energy Management Services, Electric Distribution Reliability

1. Gather information and prepare for RFQ Process

- Form “groups” of similarly situated customers, where possible
- Steam usage profiles, contact information – loads & key players for all accounts
- Individual customer facility / system assessments: Collect & compile what we know already and what we need to know:
 - Assess degree to which facilities are positioned to transition to an alternative fuel (e.g. condition of customer equipment, customer access to capital, owner / tenant / lease status, etc...)
 - Copies of all prior steam facility energy studies

- Coordinate requirements with ODOE from which to develop a standard exhibit for an engineering scope of work, specifying methodology and minimum efficiency improvements for BETC eligibility. Exhibit would serve as attachment to loan application for a customer facility's engineering review.
- Seek to establish a referral network of qualified trade allies HVAC contractors.
- Establish electric capacity requirements in coordination with Electric Distribution Reliability Division in anticipation of heat pump or PV system installations
- Northwest Natural - confirm proximity to gas lines for each customer

2. Write and administer an RFQ process to secure professional services to assess all customer steam facilities and develop an engineering estimate for customer conversion to alternative space and water heating system.

- This will be the primary focus for during 2009
- Verbal commitment obtained from ODOE to provide \$100k toward this study, could cost \$200k - \$300k.

Task Area #4: Steam Customer Financial Assistance Approach - Loans

Lead: Key Accounts

Technical Support: Accounting, Energy Management Services, Public Affairs

1. Develop appropriate transition “package” for steam customers groups

- Develop Oregon Department of Energy (SELP) and EWEB loan options
- Finalize terms – Zero or low interest loan amounts
- Develop customer loan agreement and documents
- Develop loan packages for customer facilities: technical assistance & equipment
- Structure loan terms to encourage sooner departure (offer interest rate discounts?)
- Coordinate with Oregon Business Energy Tax Credit (BETC) Program
- Offer EMS efficiency incentives in parallel - package electric savings measures to fullest extent possible with transition loan / service package (fold into RFQ scope)
- Coordinate with Oregon Energy Trust program incentives, where available

2. Compete for any available funds as may be offered by the Federal Government

- Specifically, respond to their most recent “Economic Stimulus” funding proposal

Task Area #5: Steam Utility Financial Scenarios

Lead: Accounting

Technical Support: Key Accounts, Steam Operations

1. Identify financing scenarios – select a scenario for planning purposes

- Make assumptions about source of funds – perhaps with EWEB front-loading years 1-2 (e.g. 20% equity participation up front) and ODOE kicking in for year 3, or other combination of possible scenarios.
- Estimate number of customer conversions per year – and loan requirements (with or without other programs)
- Develop scenarios for annual debt service requirements, annual budgets (2009 – through the entire customer re-payment period)

Notable financial tasks completed or identified to refer back to:

A. Maintain “As Is” Scenario: Use 2008 actual YTD / projected and the 2009 budget from which to assess the “as-is” situation for the steam utility.

B. Refine estimates of potential steam system financial losses for 2010 – 13, to use 2009 as a base case, (e.g. losses that would occur without any rate adjustments and with continued customer erosion). Include assumptions for expected fuel costs, O&M and any anticipated system repairs during the transition period. Capital should include anything immediately on the horizon we know we are going to have to do with aging-infrastructure in order to continue operating.

C. Stay open to possible “other” scenarios as they may present themselves

- Listen / respond to any further discussion requests from prospective buyers

Task Area #6: Employees - Support, Retention & Communications

Lead: Human Resources

Technical Support: Steam Operations

1. Proactive Employee Communications, Support & Retention. Take all proactive efforts to support, communicate and retain adequate steam utility staff during the steam utility transition effort, to ensure the best possible outcome for EWEB as an organization, our customers and our employees.

Employee Engagement

- Plan meetings to share information, hear thoughts, ideas and concerns prior to information being sent to the Board
- Emphasize proactive, empathetic / active listening, pointing to successful transition approach and effort already underway in anticipation of the AMI project
- Invite input and ideas to ensure the effectiveness of the transition process, and encourage retention of experienced staff for as long as possible throughout the steam customer transition process.

Workforce Planning, Employee Support & Retention

- Align with on-going efforts

Bargaining Unit Issues

- Review outline, with an eye toward identifying any potential issues with bargaining implications. Pursue, as needed.

Task Area #7: Environmental

Lead: Environmental Management

Technical Support: Steam Operations

1. Ensure environmental considerations are addressed to the fullest extent possible.

- Social / Environmental Assessment – Incorporate approach into RFQ process.
- Future downtown developments that encounter steam related mitigation needs
 - Anticipate environmental mitigation work within right of way areas
- Steam production facilities: To be assessed separately
 - Identify considerations the CAT process should be aware of
- Address other considerations, needs as identified

Task Area #8: Communications and Public Involvement

Lead: Public Affairs

Technical Support: Key Accounts

1. Individual steam customer communications - *Implement customer contact plan*

- Continue formal, informal steam customer meetings to share the key aspects of the Steam Utility Transition Plan, modifying approach as needed.
- Continue to work with those customers who are the most costly to serve (work from perimeter to core of the system)
- Update assessments of customer needs and begin working with them to prep for transition
- Continue to document communications

2. All steam customer communications: Implement APPA Public Participation model as the Steam Utility Transition Plan moves forward. Communicate with all steam customers, compile and share information as the plan progresses. Recruit customers to provide testimonials, as needed. Collaborate with customers on crucial elements of the plan in formal / informal sessions to adjust the approach, where appropriate.

- Prepare periodic updates for steam customers, as appropriate.
- Conduct follow up surveys as needed to assess the customer's perception of EWEB's responsiveness.

3. Proactive communications to all EWEB Customers: Keep all EWEB customers informed of the developments in the downtown area as it pertains to EWEB.

Task Area #9: Steam Utility Transition Plan – Implementation Review & Modification

Lead: Key Accounts

Technical Support: Assigned Task Area Leads

1. On-Going Implementation Review & Modification: Establish a process to track overall transition progress and assess near term steam system operating conditions:

- Review customer transition status on a bi-monthly basis
- Assess steam operations, system load status and stay current on pending customer service disconnections.
- Move up timeline for small boiler re-configuration process, if customer erosion is occurring faster than originally anticipated.
- Provide updates to the Board on customer transition status.

RESOLUTION NO. 0826

EUGENE WATER & ELECTRIC BOARD
SD18 - STEAM UTILITY TRANSITION POLICY

WHEREAS, the Eugene Water & Electric Board (EWEB) is a municipal utility whose electric utility assets include a district heating steam utility, which provides steam service to customers located in the city of Eugene's downtown area.

WHEREAS, the current economic operating environment for the steam utility is becoming too costly for EWEB to continue to operate in the future, due primarily to a significant reduction in customer steam sales compounded by rising steam production costs.

WHEREAS, the steam utility distribution infrastructure is in need of significant capital investments, that would require an extensive and costly excavation with social and environmental implications.

WHEREAS, the reduced revenue and rising costs for the steam utility in the foreseeable future are expected to result in significant operating losses and would require the electric utility to absorb those losses.

WHEREAS, steam utility customers have requested assistance and a reasonable time period from which to accomplish a transition to another fuel source before EWEB stops delivering steam.

NOW, THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board does hereby resolve as follows:

The Board adopts Strategic Direction No. 18 and authorizes, delegates and directs the General Manager to develop a Steam Utility Transition Plan to ultimately work toward shutting down the steam system.

DATED this 16th day of September 2008.

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

I, KRISTA K. HINCE, the duly appointed, qualified and acting Assistance Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the of the Resolution adopted by the Board in its September 16, 2008 Regular Board Meeting.

Assistant Secretary

Policy Number: SD18
Policy Type: Strategic Direction
Policy Title: Steam Utility Transition Policy
Date Approved: September 16, 2008

The purpose of this policy to provide guidance and immediate direction for the decommissioning of the Eugene Water & Electric Board Steam Utility. The recent increase in the cost of natural gas is being compounded by EWEB's largest steam customer's imminent reduction of their load, which will shift a greater portion of system operating costs to an eroding customer base. This situation is expected to push steam rates above what could be considered competitive in comparison with other fuel alternatives. In addition, EWEB's aging steam distribution system will need significant capital investments under any future operating scenario, which would put further upward pressure on rates. With the steam utility being an electric utility asset, the electric utility provides the funding for capital improvements and any operating losses. To that end, the Steam Utility Transition Plan follows a concentrated effort since 1990 to hold costs down for the 109 customers EWEB served at that time through aggressive cost reduction and plant efficiency improvements. The customer base has now eroded to 78, with several more planning to switch fuels, further contributing to a near term unfavorable operating environment.

The Board directs the General Manager to ensure a managed transition out of the steam business in a socially responsive, environmentally and financially responsible manner, while balancing all considerations listed below to the fullest extent possible, including steam customers, the downtown community, the community at large and EWEB's electric utility interests.

Considerations

- ***Public Involvement:*** Proactively engage customers, the community and appropriate stakeholders in a public process to develop the transition approach to shut down the steam system.
- ***Financial Assistance:*** Provide reasonable financial assistance to assist customers with transitioning to another fuel source. Seek to leverage programs and services available within EWEB and with other public and private entities to apply toward a coordinated steam customer transition effort.
- ***Environmental Stewardship:*** Provide appropriate funding as needed for when future downtown developments require steam distribution lines located within public rights of way to be addressed, such as in cases where asbestos abatement actions need to be taken.
- ***Reasonable Transition Period:*** To allow more time for steam customers to transition to an alternative fuel, pursue strategies to make it more feasible to continue operating the steam utility throughout the desired transition period.
- ***Electric Utility Cost Considerations:*** Be cognizant that the steam utility is an electric utility asset, and that continuing to operate a transition period beyond 2 - 5 years is highly unlikely without a significant financial impact to the electric utility.

- ***Social and Community Considerations:*** Minimize the impacts to the downtown area by coordinating steam customer system conversion construction efforts to the fullest extent possible.
- ***Encourage Energy Efficiency:*** Encourage customers to make wise choices, both from an energy efficiency and environmental perspective.