

MINUTES

Eugene Sustainability Commission
McNutt Room—Eugene City Hall—777 Pearl Street
Eugene, Oregon

July 20, 2011
5:30 p.m.

PRESENT: Josh Skov, Chair; Chris Anglin, Shawn Boles, Kathy Jaworski, Steve Newcomb, Sue Wolling, Alan Zelenka, commissioners; Jenna Garman, Ethan Nelson, staff; Felicity Fahy, Jeanine Parisi, Eric Hiaasen, Eugene Water & Electric Board.

ABSENT: Jessica Bloomfield, Howard Bonnett, Art Farley, Dave Funk, Rusty Rexus, commissioners.

Mr. Skov called the meeting of the Eugene Sustainability Commission to order.

1. Opening: agenda review, minutes approval

Mr. Skov postponed item 7, *Election of officers*, to the September meeting. He added discussion of the retreat to item 4, *Community liaisons*.

Mr. Skov called for corrections to the June 15 minutes. Ms. Jaworski noted that the minutes erroneously listed her as absent from the meeting. Mr. Anglin corrected the spelling of his name.

Mr. Boles, seconded by Mr. Newcomb, moved to approve the June 15, 2011, minutes as amended. The motion passed unanimously.

2. Public comment

There was no one present who wished to offer public comment.

3. Items from commissioners and staff

Mr. Boles reported that he continued to serve on the Technical Resource Group (TRG), which was reviewing the assumptions in the Eugene Comprehensive Lands Assessment (ECLA). He was also investigating tools the community might use to implement Pillar 7 of Envision Eugene, which was related to flexible implementation and monitoring of the Envision Eugene strategies across time.

Mr. Anglin reported that he had been reviewing the commission's work products and meeting materials. At the request of Mr. Zelenka, he provided some brief biographical information.

Ms. Jaworski reminded the commission that she had been working on rural tourism development and as part of that effort had conducted surveys of small community businesses about their green business practices. She expressed a desire for similar information about Eugene.

Ms. Jaworski noted that she had provided Sustainability Liaison Babe O'Sullivan with a study to share with the commission entitled *How Much is Enough? Examining the Public's Beliefs about Consumption*, authored by Tom Bowerman and Ezra Markowitz, which purported to show broad political support for

reduced consumption. She also reported that she was working on a statewide agri-tourism project to expand rural-urban connections.

Ms. Wolling shared information about her background. She reported that at Mr. Skov's suggestion, she had sent a letter to the board of the Gears cycling club about Envision Eugene.

Mr. Boles circulated the triple bottom line (TBL) analysis for the alternative acquisition strategies from the Eugene Water & Electric Board's Integrated Electric Resource Plan (IERP). He suggested the tool was not effective unless one was comparing alternatives.

Speaking to the study mentioned earlier by Ms. Jaworski, Mr. Boles cautioned against overstating the results as he had not been able to confirm its conclusions through an independent analysis.

Speaking to signs of progress, Mr. Newcomb reported that the membership of a LinkedIn discussion group called "Carbon Market" grew by several members during the time he was reviewing information on the site.

Mr. Zelenka debriefed his experience attending the Climate Leadership Academy.

Ms. Garmon of the City's Waste Prevention and Green Building Program was present on behalf of Sustainability Liaison Babe O'Sullivan, who was attending a conference. Mr. Zelenka recalled his suggestion to the City Council earlier that day for a local tax rebate program for construction certified as meeting LEED (Leadership in Energy and Environmental Design) standards. He asked Ms. Garmon what else the City could do to promote LEED construction. Ms. Garmon responded that the City had a green building incentive program focused on LEED, Earth Advantage, and Passive House. She anticipated staff would do a formal review of the program soon to determine if the program had been effective. The incentives were primarily permitting incentives such as faster permit turnaround and rebates.

Ms. Jaworski determined from Ms. Garmon that none of the City's loan programs were targeted at green construction.

Mr. Zelenka updated the commission on the council's discussions regarding the Multi-Family Property Tax Exemption (MUPTE) program. Mr. Boles commended the council's work in creating a more focused program. He asked if the City had supported the concept of a State bank. Mr. Zelenka said he had participated in discussions about such a bank locally, but the barrier was funding. He believed the council supported the State legislature's efforts to establish such a bank. Mr. Boles emphasized the importance of capital to green projects and suggested in difficult financial times a State bank might be the only source of funding for such projects.

Mr. Zelenka reported that the council would hold a public hearing on the MUPTE program on September 19, and suggested that could be an opportunity for commissioners to comment on the program parameters. Mr. Skov expressed interest in ensuring that projects that qualified for MUPTE met green building standards. Mr. Zelenka indicated that points were awarded to projects for meeting such standards but the program was not prescriptive in that regard.

Mr. Skov reported he would present the commission's letter to the Neighborhood Leaders Council on July 26.

Speaking to signs of progress, Mr. Skov said that Honda and General Motors recently issued press releases stating most of their North American factories were zero waste; less than two percent of the waste stream

went to the landfill. He suggested that information buttressed the commission's aspirations regarding zero waste. Mr. Skov also noted the cost of photo voltaics had declined and he anticipated additional decreases in the next year. What he termed "the truth about natural gas" had begun to surface and people were beginning to see that natural gas was as bad as coal if one considered its entire life cycle. Mr. Skov reported there were plans for coal to be shipped from Montana to China through Washington and Oregon and he believed the forces aligned against that were beginning to get organized. He suggested events at the Fukushima Nuclear Power Plant had changed attitudes about nuclear power around the world. Mr. Skov concluded by noting efforts to establish new marine sanctuaries along the Oregon coast.

4. Community liaisons

The commission accepted a suggestion from Mr. Skov to revisit the list of liaisons in October after the commission had finalized its work plan in September. Mr. Skov called attention to a matrix of work plan items distributed to commissioners and invited them to e-mail him any changes they had.

5. EWEB: Integrated Energy Resource Plan

The commission was joined by Jeannine Parisi and Felicity Fahy of EWEB, who were present to discuss the utility's IERP. Mr. Skov suggested there was a link between Eugene's Climate & Energy Action Plan (CEAP) and the IERP but at this point there was little integration between those efforts. He encouraged the commissioners to consider the information to be presented and what might be missing in light of that link in order to provide the council with some key messages.

As a preface to the staff presentation, Mr. Boles, a member of the IERP citizen advisory panel, said his concern about the process regarded the policy framework created by the EWEB board of commissioners, which he believed the City Council would have to address. That decision spoke to the amount of EWEB's conservation acquisition over time. Mr. Boles pointed out that additional conservation freed up electricity with no greenhouse gas emissions that other regional utilities could use. He did not necessarily agree that EWEB's foremost commitment was to its ratepayers; he suggested that was the equivalent of a company saying its first responsibility was to its shareholders, but EWEB was not a private sector company. He said EWEB could do things differently from a company such as PGE.

Ms. Parisi provided a presentation on the IERP. She stated that the IERP was a 20-year plan and its purpose was to guide EWEB's purchase of electricity to meet customer needs over that time frame. A 12-member citizen advisory panel was advising EWEB staff on the IERP. The panel had been asked to consider 1) EWEB's conservation strategy over the next 20 years, 2) the attributes that were most important among the energy resources available if EWEB needed new energy sources, and 3) the appropriate targets and benchmarks EWEB should be considering to measure progress over time.

Ms. Parisi reviewed EWEB's current energy portfolio, which included its contract with the Bonneville Power Administration (BPA), renewable energy sources, and the power coming from its own generation facilities. In addition, EWEB counted conservation savings as part of its portfolio; in other words, EWEB counted the 15 percent of energy it did not use as a resource.

Ms. Parisi called attention to EWEB's 1990 portfolio to demonstrate how the portfolio had shifted over time. She compared EWEB mix of sources to the national grid, which was largely based on fossil fuels. She emphasized EWEB's long-time dedication to conservation and the progress it had made. EWEB hoped to increase that amount. Ms. Parisi emphasized that conservation was a good deal for the utility; it had the lowest cost and was the lowest risk resource. She anticipated the cost of conservation would go up over time as EWEB looked for more sources.

Ms. Parisi shared growth load trends with the commission and said the trends indicated EWEB had enough power to meet its load comfortably until 2027. The dip shown in 2012 reflected EWEB's contract with the BPA and the lower cap that BPA was imposing on EWEB.

Ms. Parisi reported that EWEB was performing a TBL analysis of the risks and impacts associated with different energy resources. Staff was also modeling climate change and using the modeling to simulate what would happen to the hydro system over time. Ms. Parisi said that EWEB staff was considering how best to respond to peak demand in the face of diminished BPA resources, and had asked the panel to consider demand response, which was getting customers to change the times of day that they used energy.

Ms. Parisi said the first four panel meetings had been focused on present and future conservation strategies. She shared the four "bookend" conservation strategies prepared by staff and presented to the panel and reported that the panel encouraged staff to take a more aggressive approach. Based on that discussion and the board's direction, staff returned to the panel in June with a fifth strategy, a modification of Strategy 2 that Ms. Parisi dubbed 2prime. The strategy was bounded by an upper and lower limit. The lower limit corresponded to an acquisition rate that maximized the economic value of conservation and minimized total utility costs over the 20-year period for all customers. The upper limit corresponded to an acquisition rate beyond which additional conservation was no longer cost-effective to EWEB customers.

Ms. Parisi recalled that during a recent staff presentation on the IERP process, one of the EWEB commissioners had asked her about the utility of the TBL analysis. She had reported that the economic factor had the most variability between strategies while the environmental and social factors were flatter and more challenging to quantify because the resource mix was strong in hydropower. The analysis indicated that EWEB would pay a lot for conservation but would get minimal carbon benefit because the strategy gave up hydropower.

Mr. Skov observed that not everyone agreed with Ms. Parisi's conclusion. Ms. Fahy concurred. She said that staff and the panel discussed the issue at length. The discussion continued to come back to the impacts on the ratepayer and the load.

Mr. Boles suggested that the panel was more concerned about low-income residents and renters than it was about ratepayers. He believed staff gave the ratepayers more weight than the panel had. Ms. Parisi agreed that the panel was concerned about low-income residents.

Ms. Parisi said the panel had expressed support for demand response as a strategy, and she suggested that 2prime would build internal and external capacity that allowed EWEB to test customers' interest in testing demand response. The panel also expressed support for conservation education, time-of-use pricing, and other incentives that influenced behavior. Several panelists expressed interest in involving landlords and renters in the discussion. She said that BPA as a long-term source of energy was another subject of panel discussion.

Ms. Parisi reported that EWEB had conducted an online survey of ratepayers and the results aligned well with what staff was hearing from the panel. She anticipated an open house would be scheduled in October, and noted that two more panel meetings were scheduled to discuss supply side resources in the context of a new large load and analyses of worst case scenarios predicated on different situations ranging from climate change to home energy production. The panel would also discuss the role of photo voltaics. She anticipated the board would receive the draft IERP in November 2011.

Ms. Fahy briefly discussed the links she perceived between the IERP and the CEAP. She suggested that most of EWEB's initiatives related to carbon reduction were outside the scope of the IERP and were program-related, such as demand response. She suggested that EWEB's source protection, vegetation management, water conservation, and EV planning efforts had a connection to the CEAP.

Mr. Boles suggested that staff prepare a "map" of EWEB's activities as they compared to the objectives in CEAP. Ms. Fahy reported she was preparing a spreadsheet of all the action items from CEAP for which EWEB was lead or partner. That spreadsheet would be completed later in the year. Mr. Zelenka hoped the spreadsheet would be ready before the council's joint meeting with the EWEB board and that it showed what progress was made on each item.

Ms. Parisi reminded the commission that CEAP was an adopted City document but it did not drive EWEB policy. She said EWEB was looking to incorporate the recommendations of CEAP in the places it made the most sense and where it aligned with organizational priorities. Mr. Boles understood that, but suggested the document would be the basis of the council and board's discussion about the level of conservation acquisition.

Responding to a question from Ms. Jaworski about the point at which increased conservation created tension for EWEB's business model, Ms. Parisi emphasized that conservation was a foundational business model for EWEB. EWEB's ability to sell the surplus energy made available through conservation had been a positive thing for EWEB customers because it kept rates low. With a soft energy market, such as the current market, that might not always be the case and it made the business model shakier. More surplus energy in such a market added to EWEB's risk, and the energy market was already a volatile one. That was one of the reasons driving load growth down and creating more surplus energy did not necessarily benefit EWEB customers economically. Ms. Jaworski concluded that doing conservation for climate change could end up costing ratepayers more.

Mr. Zelenka believed the appropriate strategy depended on one's perspective. He suggested that another way to think about the issue was whether the objective was to have the lowest rates or the lowest bills. He pointed out that as conservation increased, rates also increased, but bills went down because people used less electricity. The TBL analysis indicated that benefits accrued to those who participated in conservation; he suggested that people who did not participate paid a "stupid penalty." Ms. Fahy pointed out that renters might wish to participate but could not because their landlords did not. Mr. Boles attributed that to the fact that EWEB had not aggressively sought a model to address the issue. He had been distressed that staff recognized the issue but discounted it to move on with the planning process. He recommended that staff talk to Mr. Zelenka and others knowledgeable in the field about models that created equity for renters.

Ms. Parisi indicated that the issue as a perennial one and she did not think anyone had overcome it.

Mr. Nelson noted that the City Council was reviewing the City's rental housing program, and staff was looking at energy performance scores as a marketing strategy for developing rental owner interest in conservation acquisition.

Mr. Skov referred to the "renter's paradox," wherein it was in neither the renter nor the owner's interest to invest in a property. He suggested there was also an "owner's paradox" in that most people could not make the best energy investments in their homes because they did not build them. He suggested that if the City wished to maximize the benefit from the shift in the housing mix that he and others intended to advocate for in Envision Eugene, it needed to consider it an economic development strategy. He advocated that the commission frame the issue in that manner for the City Council.

Mr. Skov did not think that a net present value (NPV) calculation for conservation acquisition was a good tool for risk management. He maintained that one must “pick a bunch of numbers” to generate an NPV, and further asserted those numbers became opaque once the NPV was in place. He said the difference between the cost of the more expensive and less expensive strategies might be two California energy crises. Speaking to Ms. Parisi’s remarks about energy volatility, Mr. Skov suggested that the issue “cut both ways.”

Mr. Skov asked staff to help the commission identify the connections between the IERP and other plans such as the Transportation System Plan for the benefit of the council. Speaking to the Transportation System Plan, Mr. Skov anticipated a major fuel shift from liquid fuels to electricity, which ensured the stakes for decisions about electricity were higher. Ms. Parisi clarified that EWEB’s load forecast accounted for such a shift and she believed staff’s projections were generous. Ms. Fahy anticipated that the issue would be revisited in the future when EWEB had more information about EVs and adoption rates.

Mr. Skov believed that terms such as “demand response,” “conservation,” and “efficiency” were not particularly evocative and often meant different things to different people. He suggested that EWEB use the means at its disposal, such as bill stuffers, to develop and communicate a consistent message.

Mr. Skov acknowledged that the carbon consequences of electricity were not straightforward. However, he was concerned about statements in the IERP materials that indicated if EWEB used less power the result would be more hydropower for others to use without mention of the fact that the hydropower in question usually displaced fossil power.

Mr. Nelson represented the City of Eugene on the IERP panel. He shared some comments he had made at July 19 EWEB board meeting, which included his belief that EWEB had an unprecedented opportunity to start to bend the load curve down to negative growth, which he considered to be truly a conservation vision. He had suggested to the board that just because Tier I power was cheaper than increased conservation acquisition did not mean that EWEB should not conserve its resources through prudent investments in conservation. Mr. Nelson said the reality in the local green building market was that EWEB financial incentives were the reason people installed green measures. He suggested that the rate structure that came out of the IERP could include funding to implement the recommendations of the CEAP.

Speaking to what the commission should recommend to the council, Mr. Boles believed that EWEB had an opportunity to drive the load curve down but the recommendation did not accomplish that. The strategy that was ultimately adopted had huge implications for how EWEB was organized. He suggested a public utility that drove its load curve down would need fewer employees or would need employees that did very different things than they had done in the past.

Mr. Skov reported that he had spoken to Clay Norris of EWEB, who expressed concern about the potential of stranded assets. Mr. Skov suggested it was the community’s collective responsibility to ensure that the utility had a workable business model while achieving other goals, such as “not letting the planet boil.”

Mr. Skov suggested the potential of City collaboration with EWEB to identify economic development opportunities related to emergency-efficient multi-family construction. The City and EWEB could foster the adoption of technology efficiency measures at the point where leverage is greatest, such as through major renovations and new construction.

Mr. Skov also suggested the commission should discuss how to foster a sense of joint ownership of the CEAP between the City and EWEB.

Mr. Boles suggested another issue to highlight to the council was EWEB's decision to favor its ratepayers rather than considering the IERP in a larger global and regional context. He maintained that the staff recommended strategy did not change much in terms of EWEB's approach to conservation and he questioned that. Mr. Boles maintained the strategy held the ratepayers harmless in terms of getting direct benefit from conservation and demand management but did nothing to address the larger issues the Sustainability Commission was tasked with.

Ms. Parisi recommended that the commission express support for demand response and encourage its use among residents. She was not confident residents would embrace the concept of smart meters, time of use rates, and changes in consumption patterns. She pointed out EWEB was already being lobbied about the perceived dangers of smart meter technology. Mr. Skov interpolated that those fears needed to be dispelled. Ms. Parisi pointed out that merely denying that there was danger did not mean people would believe the denial. She reiterated her recommendation that the commission voice its support for demand response, which she believed could significantly reduce the carbon content of EWEB's portfolio.

6. Election of Officers

This item was postponed.

7. Closing: Next meeting, follow-up

Mr. Skov adjourned the meeting at 8:10 p.m.

(Recorded by Kimberly Young)