

Funding Daily Business Decisions

NWPPA Power Supply Conference
September 2009

Business Environment

- Largest Consumer Owned Utility in Oregon
- Slice Customer with Significant Resources
- Structurally Long

Long Term Direction

- Acquire Resources in Advance of Need
- Firm Power to Serve Expected Load
 - Worst Single Year for EWEB Resources
- Financial Planning/Budget/Rates Based on Low Hydro
 - Average of 5 Worst Consecutive Years
 - 85% of Average Hydro

Post-2011 Situation

- Reduction in Overall BPA
- Less Slice/More Block
- No BPA Tier 2 Service
- Use Own Resources
- Resources in Process
 - Wind
 - Biomass
 - Geothermal

Oregon RPS

- Only Consumer-Owned Utility with Major Liability
- Legacy Exemptions and Renewable Resources
- With Banking, No Issue for Foreseeable Future

Maintain Load/Resource Balance

- +/- 25 aMW Market Exposure
- Load vs. Firm Resource
- Test Starts 3 Years in Future
- Sell Firm Length
 - Straight Sales
 - Swaps
 - Synthetic Swaps

Prompt Year Hedging

- Dollar Cost Averaging
- Sell Firm Position Flat
- Purchase Puts for Budgeted Secondary
- Complete Hedging by September 1

Within Budget Year

- Monthly Updates to Retail Load Forecast
- Weekly Updates to Resource Forecast
 - ESP Worst Trace
 - Fish Operations
 - Other Data
- Re-Hedge as Necessary

Current and Prompt Month

- Compare Expected Loads and Resources
- Risk Limits
 - \$2 Million Value at Risk
 - +/- 75 aMW
 - Whichever Less

Real-time

- Expected Load Resource Balance Within Day
- +/- 50 aMW

Major Customer Contracts as Hedges

- Pass Along Risk Reward to Customers
- Variation in Generation Volume
- Variation in Wholesale Price
- Rate Based on Assumptions
- True-up to Actual

Power Operating Reserve

- Help Cover Price and Volume Risk
- Difference Between Firm and Budgeted Hydro
 - 85 Percent of Average Hydro for Budget/Planning Purposes
- Price Volatility
- \$25 Million

Location Management

- Length Away from Mid-C
- Liquidity at Mid-C
- Exchanges in Advance – Move Length to Mid-C
- Structured Sales Away from Mid-C

Dispatch to Price

- Within Limits of Contracts and Licenses
- Sell Power in Highest Value Periods
- Buy Back When Prices Low
- Or Vice Versa

Dick Varner

Power Management and Planning
Manager

Dick.Varner@eweb.org