MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO:	Commissioners Simpson, Helgeson, Manning, Mital and Brown
FROM:	Mark Freeman, EMS and Customer Service Manager and Alan Fraser, Electric Engineering Distribution Supervisor
DATE:	July 8, 2016
SUBJECT:	Customer electric service upgrade (ESU) loan fund for electric infrastructure
OBJECTIVE:	Information Only

Issue

Current EWEB policy requires customers to pay 100% of projected costs for utility services prior to upgrading EWEB services. This upfront financial obligation can be a high hurdle and a deterrent to economic development. The only exception is the Business Growth & Retention (BG&R) loan pool that is funded to $2 million dollars but is designed to help only commercial customers with EWEB costs of $5,000 or above. Residential and small commercial customers considering electrical upgrades with costs projected at less than $5,000 are required to pay 100% prior to work starting.

Staff requests reallocation of up to $200,000 from existing BG&R loan fund to assist residential and small commercial customers finance electric service improvement costs associated for projects under $5,000.

Background

The current BG&R loan program has been successful assisting commercial customers with large project costs. We also have many residential or smaller commercial customers either required or considering upgrades to electric service with projected costs below $5,000. The majority of projects involve residential customers addressing either safety issues with existing electric service or adding capacity. These projects are often sudden and unexpected costs.

This proposed reallocation of BG&R funds would assist existing residential and small commercial electric customers by providing financing options for EWEB service costs including equipment purchase, construction cost, engineering services and service connection fees. The loans could be used for service entrance equipment. A similar loan program already exists for EWEB water customers who have a failed water main.

The burden of payment would continue to rest with the individual customer requesting loan and not with general ratepayers.

Specific examples where a loan could be used:

A) Customer main electrical panel or meterbase needs to be replaced for load growth or failure. Electric panel replacement around $1.5k.

B) Customer's underground (UG) Service Lateral (SL) does not meet current specifications and needs to be replaced; typically this occurs when the main panel is changed because the conductors are under sized per current code and/or EWEB specification. This can easily triple the cost of just a panel change from $1.5k to $4.5k.

C) Customer requests new service which requires EWEB infrastructure to be modified; which is charged to individual customer making request. Loan could be used by customer to pay for EWEB infrastructure costs needed by customer project.

D) EWEB makes system change that effectively requires a (law abiding and safety conscious) customer, to replace their main panel (and possibly UG SL, example from above). A specific example, EWEB has increased distribution transformer size and increased the available fault current; fault current rating on customer's panel is no longer adequate.

Discussion

Loans under this proposal would be capped at $5,000. Residential customers would be offered zero percent loans with maximum four year term. Existing procedures established for EMS residential loans would be used. Offering zero interest loans to residential customers is based on EWEB legal counsel assessment of regulatory requirements associated with charging interest to residential customers.

Small commercial customers would be charged four percent interest with maximum five year pay back. All loans offers would require prior approval by EWEB electric engineering distribution supervisor. All loans eligibility would also require a review of the applicant's credit worthiness. This step would be accomplished using EWEB's established loan program criteria where the program applicant would need to satisfactorily demonstrate the ability to meet loan payment obligations.

Proposed Loan Terms

	Minimum	Maximum	Interest rate	Term
Residential	$1,000	$5,000	0%	Up to 4 years
Small Commercial	$1,000	$5,000	4%	Up to 5 years

- Loan amount and repayment terms would be determined by existing credit matrix used for EMS loans.
- Established process will be used for credit check and possible approval by loan administrator.

The Business Growth & Retention loan pool is replenished by repayment and used to fund future projects.

Given the small number of loans, the program does not require any new FTE.

Requested Board Action

No action required. We feel it falls under previous Board approval. Please contact us if you have any questions.

MEMORANDUM

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TO: Commissioners Simpson, Helgeson, Manning, Mital and Brown

FROM: Lena Kostopulos, Human Resources Manager

DATE: July 8, 2016

SUBJECT: Employee Benefits RFP/Changes

OBJECTIVE: Information Only

Issue

This memorandum is to advise the Board of Commissioners that EWEB has completed an RFP process for employee benefits, including health, dental and vision insurance and that a change in providers has been recommended. In as much as the cost of employee benefits is significant (approximately $11M in 2016), the following background explanation is submitted for the Board's information in advance of a consent calendar proposal requesting the Board's approval in August.

HR began the RFP process as a proactive measure in response to concerns around Moda's financial stability stemming from the State Insurance Commission's decision in late January to place Moda under its supervision as a result of Moda's failure to maintain required financial thresholds.

Background

Moda has provided EWEB's insurance plans since 2005. In 2014, Moda entered the individual exchange market place, offering aggressive rates which yielded a very high volume of individual healthcare business. Moda's financial projections, based in part on the level of expected ACA risk corridor reimbursements associated with their individual healthcare business, were far less than anticipated resulting in a significant economic shortfall.

Part of Moda's recovery strategy was to withdraw from the individual plan market in both Alaska and Washington. Further, the Insurance Commission conditioned the release of the supervisory restriction on Moda's ability to raise $179M in minimum operating revenues. Moda sold off some of their business operations and closed facilities outside Oregon.

The RFP was announced in April. Ten (10) proposals were received, including a submission from Moda. The RFP required proposals to comport to EWEB's existing plan design (deductibles, out-of-pocket expenses, co-insurance, etc.) for medical/Rx, dental and vision plans.

The reviewing panel included representatives from HR, Finance and, EWEB's Employee Health Insurance Committee (one IBEW and one MAPT member) as well as representatives from USI, EWEB's Insurance Broker. The panel narrowed the respondents down to four (4) finalists. The panel interviewed those finalists, conducted further proposal review and, issued their recommendation to change benefits providers in late June.

Moda's proposal was not among the finalists for medical or vision coverage but, their dental plan proposal was included in the final group. Moda's dental plan, Delta Dental, is a financially separate entity and was not materially affected by the shortfall in the health plan business.

It's important to note that Moda has been paying and will continue to pay benefits claims submitted by EWEB's active employees and also its covered retirees through the end of the year, when the plan change will take effect. EWEB's insurance broker has closely monitored Moda's situation and has provided regular status updates. Coincident with the timing of the final RFP interviews, it was announced that Moda had satisfied the State's requirements and would shortly be released from any restriction or continuing extraordinary review.

Result

In spite of the release of the State's restrictions, the RFP panel recommended that EWEB change carriers. At present, Moda provides all coverages (medical, dental and vision). The panel determined that EWEB would derive more value by contracting with separate providers for each line of coverage. These benefits will continue to be offered as a package but will be provided as follows:

- Pacific Source Health Plans for Medical/Rx,
- Vision Service Plan (VSP) for vision
- Delta (Moda) for dental

The change will yield considerable additional benefits to employees including expanded provider networks for medical (the Pacific Source plan includes both Sacred Heart and McKenzie Willamette Hospitals, for example), a higher level of vision coverage eliminating the need for EWEB's current vision "buy-up" option and, a better dental benefit in that preventative dental services will not be deducted from the annual maximum benefit.

Budgetary impacts resulting from the change are very positive. In short, if EWEB had remained with Moda, the projected annual rate increase for 2017 is expected to have been 8.6% for a total increase of approximately $960K (based on their administrative costs schedule and EWEB's plan utilization to date). Adopting the new plans, including the recommended benefits enhancements, yields a 2017 increase of only 2.2%, totaling approximately $250K, representing avoided costs of over $700K.

Further, Pacific Source guarantees that increases in administrative expenses will not exceed 3% per year for 2018 and 2019. While claims utilization, which drives rate increases is difficult to project, Pacific Source will base future premium increases on a 2-year claims experience history rather than the current 1-year experience factor with Moda. Vision Service Plan has offered a 2-year rate hold guarantee.

In as much as the enhancements represent plan design changes, the IBEW's consent is still required. However, since the changes are favorable to employees, the matter is not expected to rise to level of opening the recently ratified EWEB/IBEW collective bargaining agreement.

Again, this explanation has been provided for the Board's information only so, no Board action is requested at this time. Rather, the final contracts are being developed and will be submitted, along with a summary of the budget impacts, for the Board's consideration and approval in the Board Run for the August Board Meeting.

Recommendation

None. This is an information item only.

Requested Board Action

None at this time. A consent calendar item will be presented to Commissioners at the August 2nd Board Meeting.

If you have any questions please contact Lena Kostopulos, Human Resources Manager at 541-685-7466 or email lena.kostopulos@eweb.org.

MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

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TO:	Commissioners Simpson, Helgeson, Manning and Brown
FROM:	Wally McCullough, Water Engineering Supervisor; Steve Mital, Commissioner
DATE:	July 19, 2016
SUBJECT:	New Water Filtration Plant – Summary of Preliminary Design Workshop No. 1
OBJECTIVE:	Information Only

Issue
Preliminary design efforts have begun on the Water Utility's proposed new water filtration plant. As part of this effort a series of workshops will be held to discuss alternatives and set the direction of the project. This memo provides a summary of the first workshop.

Background
Staff have been working towards a redundant water source for years and in 2014 a point of diversion was solidified on the Willamette below the confluence of the Middle Fork and Coast Fork. Since then efforts have ramped up with property acquisition and due diligence activities. The goal is to have a redundant filtration plant operational by end of 2021. The majority of the work to date is summarized in two previous Board Memos presented on March 3, 2015 and February 2, 2016.

In the spring of 2016, staff initiated the most significant effort to date for the new Plant – Preliminary Design. Carollo Engineers was retained for this effort with contract approval by the Board on May 3, 2016. A key part of the preliminary design effort is a series of workshops where work will be discussed and decisions made on project direction.

Related to the preliminary design is the assignment of a Board Liaison. Steve Mital volunteered for this assignment at the June 7th Board Meeting and this will be affirmed by a resolution at the July 19th Board Meeting

Discussion
Topics discussed at the first Preliminary Design workshop included water quality, plant capacity, operations, and level service goals. The topics discussed are summarized in a 'bulleted format' below:

<u>Workshop 1 Objectives</u>

- Intent of Workshop 1 was to define preliminary parameters and guiding principles for the predesign effort.

<u>Raw Water Quality</u>

- Raw water quality for the Willamette River was presented and compared with that of the McKenzie.

- Concentrations of regulated compounds in the raw water of both rivers are almost all below the finished water maximum contaminant level (MCL) prior to any treatment.
- Total organic carbon (TOC) in the Willamette may be high enough to trigger requirements for removal during some times of the year. TOC is important because, when chlorinated, it can form disinfection by-products (DBPs)
- Higher microbial (bacteriological) counts were observed in the Willamette.
- Raw water quality in the Willamette is very similar to water quality elsewhere in the region and is high quality relative to other supplies in the US.
- Additional sampling is needed for both plant design and public outreach
- At the proposed intake site, approximately 75% of flow is from the Middle Fork. Additional clarity on the mixing between the Middle and Coast Forks, which would vary at different river flows, would help in threat assessment and targeting watershed protection measures.
- Mercury and lead levels observed to date are very low, but there is a need to get more granular information given heightened public concern around this parameter.
- There is a need to gather additional information on wastewater treatment facilities on the Coast Fork. (Staff believe LCC and Creswell do not discharge during the summer)
- Summer algae blooms are an increasing concern in the region. There is a need to focus more attention on this issue going forward.

Finished Water Quality Goals

- Routine plant operation must achieve water quality better than or equal to Hayden Bridge.
- **BOARD INPUT OPPORTUNITY:** There may be opportunities to achieve greater capacity (MGDs) with lower water quality in an emergency operation. Should we pursue this?
- Turbidity: Match Hayden Bridge goal of 95% below 0.1 NTU (a unit of measurement associated with the ability for light to pass through a substance) and always less than 3.
- TOC-Disinfection Byproducts: Maintain DBPs at less than 50% of regulatory limits.

Plant Capacity

- Near term capacity will be determined during course of predesign as cost estimates are developed.
- Future is 19 million gallons per day (MGD) with provisions for expansion.

Operational Strategies

- Regular stop/start capability could reduce O&M costs as plant would not need to be staffed overnight or on weekends.
- Routine start/stop (daily) instead of long term stop is preferable.
- Could be possible to reduce distribution storage because of diversity of supply.
- Staff from both Hayden Bridge and the new Plant on the Willamette should cross-train to increase resiliency in managing facilities.

Level of Service Goals

- Design for 2,500 year seismic event.
- Recovery from a seismic event should be 24 hours.
- Capacity following a seismic event should be 100% of minimum winter demand.
- Water quality – plant needs to meet regulatory requirements at all times. A plant with higher capacity and lower water quality goals could be acceptable under emergency conditions.

Recommendation
None. This is an information item only.

Requested Board Action
None. This is an information item only. Staff will be available to answer questions at the July 19, 2016 Board meeting.

If you have any questions please contact Wally McCullough, Water Engineering Supervisor at 541-685-7435 or email wally.mccullough@eweb.org.