

**EUGENE WATER & ELECTRIC BOARD
SPECIAL and REGULAR SESSIONS
EWEB BOARD ROOM
500 EAST 4TH AVENUE
February 7, 2017
5:30 P.M.**

Commissioners Present: Dick Helgeson, President; John Brown, Vice President; Sonya Carlson, Steve Mital, John Simpson, Commissioners

Absent: None

Others Present: Matt Barton, Information Services Manager; Mel Damewood, Chief Engineering & Operations Officer; Erin Erben, Chief Customer Officer; Sue Fahey, Chief Financial Officer ; Catherine Gray, Resource Analyst; Frank Lawson, General Manager; Mark Freeman, Customer Solutions Manager; Nick Nevins, Engineering Technician; Jeannine Parisi, Government Affairs Coordinator

President Helgeson called the Regular Session to order at 5:30 p.m.

Agenda Check

There were no changes to the Agenda

Items from Board Members and General Manager

- Commissioner Mital reported that while meeting with two Springfield Utility Board (SUB) Board members, they came up with the idea of jointly funding an independent study to look at mutually beneficial opportunities between EWEB and SUB as per post-disaster concerns. Commissioner Mital asked for and received Board consensus to move forward with the independent study idea.
- Vice President Brown agreed that there were many opportunities for collaboration between SUB and EWEB in a post-disaster scenario. He reiterated a need for diligence in illegal camping cleanup and monitoring efforts on the McKenzie River.
- President Helgeson said that he was arranging to attend the American Public Power Association (APPA) meetings in Washington D.C. And that he was also planning to attend the Northwest Public Power Association (NWPPA) in, he believed, Missoula, Montana.
- Commissioner Simpson opined that, in light of the uncertain future of the Environmental Protection Agency (EPA), it would be a good idea for EWEB to release a statement proclaiming its commitment to sound environmental stewardship. He also offered kudos to EWEB staff for its response to, and handling of the aftermath of, the last ice storm.

- Commissioner Carlson offered her support for a collaboration with SUB surrounding a disaster scenario, and she also agreed with Commissioner Simpson's idea of releasing a stewardship statement to the public.
- Mr. Lawson assured Vice President Brown that steps were being taken to address the illegal camping on the McKenzie; he said that he would share an update with the Board. He added that he agreed with Commissioner Simpson's public environmental stewardship statement. Mr. Lawson reported there was a meeting with the Federal Emergency Management Agency (FEMA) next week to begin the administrative processes as per EWEB's request for ice storm emergency reimbursement. He said the Storm Report would be out by February fifth, including both raw and specified data.

Commissioner Mital said he had been in contact with SUB Board members via email, and that he would share that conversation with the other EWEB Commissioners.

Public Input

Anne Fifield of Eugene, and representing the City of Eugene Community Development Division, said that since the Downtown Fiber Project (DFP) was being built using existing EWEB infrastructure, the project would not be possible without the utility, and she thanked the Board and EWEB staff for that.

Milo Mecham of Eugene and Lane Council of Governments (LCOG), asked the Board to consider offering fiber pricing based on quarter-mile increments, although EWEB staff's suggestion was pricing based on half-mile increments. Mr. Mecham also asked that the Board consider not using a 2x multiplier for the risk adder.

Matt Sayre, representing the Technology Association of Oregon (TAO), stated that since the implementation of the DFP, lucrative tech companies have been drawn to downtown Eugene. He also reported that state economists estimated that local tech sector job growth would increase by 28% over the next 10 years. Mr. Sayre urged the Board to consider quarter-mile pricing, and a 180% multiplier (based on the DFP pilot) instead of the 2x multiplier recommended by EWEB staff.

Brittney Quick Warner of Eugene, and Director of Business Advocacy for the Eugene Chamber of Commerce, offered that Internet access infrastructure is just as important as physical infrastructure today, and the DFP is a necessary and appropriate service for entities such as EWEB, City of Eugene, and LCOG to provide the community. She concluded that the Eugene Chamber of Commerce also supported the quarter-mile pricing option, and the 180% multiplier for the risk adder.

Stephen Parac, COO of XS Media, Eugene, offered that Internet service providers (ISPs) were losing money. He said that the high overhead associated with operating an ISP, combined with the service charge imposed by EWEB for fiber use, is well over the \$99/month ISPs charge their customers for Internet access, making the project

unsustainable at current rates. He added that if EWEB was to adopt the quarter-mile pricing option, XS Media would be able to lease more fiber, generating more revenue for EWEB.

Commissioner Mital stated he was not in support of EWEB subsidizing the DFP further, due to a lack of local businesses raising concerns about current fiber pricing.

BOARD ACTION ITEMS

Approval of Consent Calendar MINUTES

1. January 10, 2017 Special and Regular Sessions

CONTRACTS

2. CLEAResult Consulting – for EWEB’s Residential LED Retail Buy-Down Program \$254,000 (Resulting Cumulative Total \$1,150,000) Contact Person is Mark Freeman 541-685-7061.

3. Interactive Intelligence, Inc. – for professional service to upgrade and implement technology enhancements, \$495,000 (Resulting Cumulative Total \$1,210,000). Contact Person is Matt Barton 541-685-7109.

4. KONE Inc. – for HQ Elevator Modernization for Facilities Services, \$325,000. Contact Person is Mel Damewood 541-685-7145.

5. Kubra Data Transfer, LTD – to provide Electronic Bill Presentment and Payment services (EBPP), Bill Print and IVR functions, \$735,000 (Resulting Cumulative Total \$1,910,000). Contact Person is Erin Erben 541-685-7615.

6. Wildish Building Company – for Task Order #4 of the Construction Manager/General Contractor (CM/GC) contract for the construction of Carmen Powerhouse Dewatering System Improvements, \$172,000. Contact Person is Mel Damewood 541-685-7145.

RESOLUTIONS

7. Resolution No. 1703 – Board Appointments, Committees, Outside Liaisons, Contact Person is Frank Lawson, 541-685-7621.

8. Resolution No. 1704 - Oregon Depository Accounts, Contact Person is Sue Fahey, 541-685-7688.

Commissioner Mital wished to pull Item #2, CLEAResult Consulting – for EWEB’s Residential LED Retail Buy-Down Program \$254,000 (Resulting Cumulative Total \$1,150,000), and Item #8, Resolution No. 1704 - Oregon Depository Accounts, for discussion.

Vice President Brown wished to pull Item #3, Interactive Intelligence, Inc. – for professional service to upgrade and implement technology enhancements, \$495,000 (Resulting Cumulative Total \$1,210,000) for discussion.

Vice President Brown moved to approve the Consent Calendar without Items 2 and 3. The motion carried unanimously 5:0.

Items Removed from Consent Calendar

Commissioner Mital expressed confusion as to what exactly EWEB's part was in the contract with CLEAResult Consulting; he was also confused as to why there was such a significant overage in 2016.

Mr. Freeman clarified that this Consent Calendar Item was not to approve an ongoing contract, but rather to approve actual expenses through January 31. He also stated that people bought more LEDs than originally expected.

Commissioner Simpson moved to approve the CLEAResult consulting contract, Consent Calendar Item #2. The motion carried unanimously 5:0.

Vice President Brown wondered how the contract with Interactive Intelligence, Inc., went from \$600,000 to \$1.2 million.

Mr. Barton replied the increase was due to the age of the system.

Commissioner Carlson asked if there was a strategy behind continuing to partner with Interactive Intelligence, Inc., as opposed to a different company.

Mr. Barton answered that he thought it better to use existing technologies—making relatively minor upgrades to them—than to spend exorbitant amounts on new technologies. He added that if EWEB were to switch vendors, they would also have to upgrade their entire phone system.

Commissioner Simpson asked if there was a long-range plan in place for this contract.

Mr. Barton replied the first upgrade would be to route phone calls through EWEB's ISP; he said the next step was to have EWEB's phone service hosted by an outside party. Mr. Barton stated that these two upgrades would lead to a much smaller and regular fee, rather than millions of dollars every few years for larger upgrades.

Commissioner Simpson moved to approve the contract with Interactive Intelligence, Inc., Consent Calendar Item #3. The motion carried unanimously 5:0.

Commissioner Mital asked if, from the list of banks compiled by the EWEB Finance Department, EWEB staff had the authority to choose three.

Ms. Fahey responded that it was indeed staff's intent to choose three banks from the aforementioned list.

Commissioner Mital asked if the banks on the list had been thoroughly vetted yet.

Ms. Fahey replied that they had not, and the current banks list was preliminary.

Vice President Brown asked if the criteria being used to select banks was interest rate-based, or community-based.

Ms. Fahey said that the criteria was not interest rate-based.

Commissioner Simpson pointed out that he could find no sunset date for this Resolution.

Ms. Fahey said that staff wanted to retain authorizational discretion to pick the term of investment most appropriate for EWEB's financial conditions.

Commissioner Simpson moved to approve Resolution No. 1704, Consent Calendar Item #8. The motion carried unanimously 5:0.

Pricing Strategy Committee

Ms. Erben and Ms. Parisi offered the Board a progress report and Power Point on Pricing Strategies.

Vice President Brown asked who would be responsible for setting the values of the different representative groups such as conservation, low-income, higher users, etc. He also wondered if, before implementation, the Pricing Strategy Committee (PSC) would share budgetary and rate implications with the Board.

Ms. Erben answered that the PSC was planning a more comprehensive survey that would get to a more representational sample. She also stated that the PSC would keep the Board apprised through every step of the process, and invited Vice President Brown, and the rest of the Board, to come and sit in on PSC meetings.

Commissioner Mital asked if the PSC would come back to the Board with an actual pricing proposal in October or November, or if it was just information gathering at this point.

Ms. Erben said the original plan was to come before the Board with a plan by the end of the year for a long-term pricing strategy, and that the plan had been vetted by the public.

Commissioner Mital asked if it would be possible to know who his colleagues had chosen to represent their respective Wards.

Ms. Parisi said that it was possible, and that she would keep the Board advised of any skewing in any direction as per Ward selections.

Commissioner Carlson asked if she and her colleagues would also be naming alternates to their selections.

Ms. Parisi answered that it would be difficult to assign alternates because of the necessary commitment to multiple meetings, but if any Commissioner could find individuals dedicated enough, that assigning alternates was acceptable.

Commissioner Simpson moved to approve the Pricing Strategy Committee's selection process, by which each Board member will select, by the end of February, a primary and alternate constituent from their respective Wards to serve on an ad-hoc Residential Pricing Committee. The motion carried unanimously.

Downtown Fiber Intergovernmental Agreement with City of Eugene

Mr. Damewood offered the Board a report and Power Point presentation on the Intergovernmental Agreement (IGA) with City of Eugene as per the DFP.

Commissioner Simpson asked if, since the fiber shares conduits with power cables, would the fiber get in the way if any underground power cable needed to be replaced.

Mr. Damewood replied that the only place within the electrical conduits where the fiber and cable(s) would be together, is the service going into a building.

Commissioner Carlson asked what the risk to EWEB was concerning new technologies emerging in the future, rendering the existing fiber disused.

Mr. Damewood answered if there was existing fiber which was not being leased in the first place, there would be no need to replace it.

Vice President Brown asked if the City of Eugene was planning on charging a franchise fee on generated fiber revenues.

Mr. Damewood said that the City of Eugene would charge a franchise fee.

Commissioner Mital sought clarification on the franchise fee Vice President Brown mentioned.

Mr. Nevins replied that for every dollar EWEB received in fiber lease revenue, \$0.07 would go to City of Eugene in the form of a 7% franchise fee.

Commissioner Simpson moved to accept the IGA with City of Eugene, as presented by EWEB staff. The motion carried unanimously.

President Helgeson called for a break at 7:10 p.m.

GENERAL BUSINESS ITEMS

Dark Fiber Pricing and Strategic Discussion

Mr. Damewood offered the Board a report and Power Point presentation on dark fiber pricing and strategies.

Commissioner Mital asked if the 55 strand miles mentioned that would be required to recover costs included the per half mile pricing.

Mr. Damewood replied that the distance increments did not factor in the need to lease 55 strand miles of fiber.

Vice President Brown asked if the City of Eugene franchise fee could be waived.

Mr. Damewood answered that it could not.

Commissioner Simpson reminded the Board that EWEB had a responsibility to local economic development. He added that he was in support of the quarter-mile billing option, and the 180% multiplier for the risk adder.

Mr. Nevins stated that if EWEB went with the quarter-mile multiplier over the half-mile option, the utility would stand to reduce fiber revenue by \$7,000.

Commissioner Mital reiterated that he had yet to hear of any downtown businesses complaining about the rate they expect to pay as a result of the current fiber pricing structure. He offered that since the DFP was subsidized heavily by City of Eugene's tax base, downtown businesses stand to pay considerably less for fiber than they are currently. Commissioner Mital offered that it didn't make sense to him for EWEB to subsidize the DFP any further.

President Helgeson polled the Board for support of the staff's DFP pricing proposal of half-mile billing increments, and a 2x risk adder multiplier.

President Helgeson, Vice President Brown, and Commissioner Simpson were all in support.

2016 Fourth Quarter Operating Dashboard/Goals Review

Mr. Lawson offered the Board a review of the fourth quarter operating dashboard and goals.

Correspondence and Board Agendas

Mr. Lawson stated that there were two items of correspondence: a required review of Board bylaws, and a quarterly contract report for the fourth quarter of 2016.

President Helgeson asked how much effort would be involved in drawing up the quarterly contract report.

Mr. Lawson replied that even if the effort required to draw up the report was high, the report would be very useful for the Board and staff as well.

Mr. Lawson said that it was staff's suggestion to start the March meeting at 5 p.m. instead of 5:30, to accommodate an Executive Session.

Board Wrap Up

Commissioner Simpson said that there was a need to be mindful of the time spent on each agenda item.

Adjournment

President Helgeson adjourned the Regular Session at 8:30 p.m.

Assistant Secretary

President

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a Contract with **Michels Corporation** for the **construction of Holden Creek Substation**.

Board Meeting Date: March 7, 2017
Project Name/Contract#: Holden Creek Substation Construction / ITB 056-2016
Primary Contact: Mel Damewood Ext. 7437
Purchasing Contact: Sandra Hahn Ext. 7163

Contract Amount:

Original Contract Amount: \$1,490,000
Additional \$ Previously Approved: \$ n/a
Invoices over last approval: \$ n/a
Percentage over last approval: n/a %
Amount this Request: \$1,490,000
Resulting Cumulative Total: \$1,490,000

Contracting Method:

Method of Solicitation: ITB 056-2016
If applicable, basis for exemption: n/a
Term of Agreement: October 31, 2017
Option to Renew? No
Approval for purchases "as needed" for the life of the contract no
Proposals/Bids Received (Range): \$1,489,304 - \$1,903,230
Selection Basis: Lowest Responsive and Responsible Bid

Narrative:

EWEB is designing the new Holden Creek Substation which is planned to be energized in Q4 2017. This project was identified in the draft 2016 Electric Master Plan's upriver re-modifications, as the first project to reducing EWEB's upriver footprint (abandonment of EWEB's A/B transmission lines), and providing better environmental protections by removing a substation off of the river's edge. The project also is a component of EWEB's overall electric system resiliency efforts.

EWEB required a contractor to complete major construction activities at Holden Creek including: civil grading, ground mat construction, foundation construction, fence installation, and installation and mounting of major electrical equipment. These tasks were chosen to be contracted due to the work not being routine work for EWEB crews and to keep internal crews available for other Capital and O&M work. EWEB crews and Engineering will complete all final testing and commissioning.

EWEB issued ITB 056-2017 in January 2017, a mandatory pre-bid meeting was held in which 14 prospective bidders and subcontractors attended. The ITB responses were opened in February and reviewed by staff. Bidders were required to demonstrate relevant experience in substation construction, a safety program that included high-voltage substation hazard aspects, and required identifying experience of key personnel who will manage the project during construction. Six (6) responses were received and evaluated by staff. Responses were received by JH Kelly of Longview, WA, Michels Corporation of Tumwater, WA, Potelco of Sumner, WA, Power Technology of Woodland, WA, Christenson Electric of Portland, OR, and Sturgeon Electric of Troutdale, OR. Michels Corporation was determined to be the lowest responsible and responsive bid.

ACTION REQUESTED:

Management requests the Board approve a Contract with **Michels Corporation** for the **construction of Holden Creek Substation**. Holden Creek Substation is budgeted as a Type 2 project, with a total current budget of \$250,000. Management plans a significant Capital Budget True-up in April that includes carry-over funds from 2016 and additional budget identified in previous correspondence with the Board. Estimated budget will be in the \$5.8 million range.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Manager: _____

Executive Officer: _____

Board Approval Date: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a Price Agreement with **Northstar Chemical** for **Liquid Caustic Soda Membrane Grade 50%**.

Board Meeting Date: March 7, 2017

Project Name/Contract#: ITB 022-2017

Primary Contact: Mel Damewood Ext. 7145

Purchasing Contact: Collin Logan Ext. 7426

Contract Amount:

Original Contract Amount: \$465,000 (per five-year contract)

Additional \$ Previously Approved: \$0

Invoices over last approval: \$0

Percentage over last approval: 0 %

Amount this Request: \$465,000

Resulting Cumulative Total: \$465,000

Contracting Method:

Method of Solicitation: Formal Invitation to Bid

If applicable, basis for exemption: N/A

Term of Agreement: 5-Years

Option to Renew? Yes

Approval for purchases "as needed" for the life of the contract Yes

Proposals/Bids Received (Range): \$92,800 - \$98,560

Selection Basis: Lowest bid from most responsive, responsible bidder

Narrative:

The Board is being asked to approve a new contract with **Northstar Chemical** for **water treatment chemicals (liquid Caustic Soda)** to be purchased on an as-needed basis for use at Hayden Bridge Filtration Plant.

EWEB's Water Filtration Plant requires pH adjustment of our finished water to prevent corrosion and to meet EPA criteria for the Lead and Copper Rule and Oregon DHS mandates. Staff's sole technique for pH adjustment is the addition of Sodium Hydroxide (Caustic Soda). Sodium Hydroxide is superior to other pH adjusting chemicals, because it allows the finished water pH to be consistent, within a variance of only plus or minus 0.1.

In January 2017, EWEB issued an Invitation to Bid to establish a price agreement for the purchase of Liquid Caustic Soda Membrane Grade 50%. The solicitation was reviewed by at least nine companies. Four responses were received; Northstar Chemical was determined to be the lowest responsive and responsible bidder.

Responses were received by Northstar Chemical of Sherwood, OR; Cascade Columbia Distribution Company of Seattle, WA; JCI Jones Chemical of Tacoma, WA; and Univar of Kent, WA.

Historical procurement data suggests that the total contract amount will be approximately \$465,000 over the total five-year period. The actual total dollar amount, however, is unknown and may be more or less than that estimated volume. Purchases will be based on need and not on any specific annual quantity. The annual cost will be within the amount budgeted for that specific year.

If approved, staff will purchase liquid Caustic Soda at the established prices over the life of the contract. The contract is for one-year with the option to renew for four additional one-year periods.

ACTION REQUESTED:

Management requests the Board approve a Price Agreement with **Northstar Chemical** for **Liquid Caustic Soda Membrane Grade 50%**. Funds for this purchase were budgeted for 2017, total Water Operations department budget for 2017 is \$12.41 million.

SIGNATURES:

Project Coordinator: _____
Manager: _____
Purchasing Manager: _____
Executive Officer _____
Board Approval Date: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to authorize the General Manager to approve a **User Agreement** with **Peak Reliability** after completion of negotiations for use of their **Hosted Advanced Applications** to achieve compliance with NERC Standard/ Requirement TOP-001-3, R.13.

Board Meeting Date: March 7, 2017
Project Name/Contract#: Peak Reliability (Peak RC); Hosted Advanced Applications (HAA)
Primary Contact: Mel Damewood Ext. 7145
Purchasing Contact: Quentin Furrow Ext. 7380

Contract Amount:

Original Contract Amount: \$ 92,500 in 2017, thereafter @ \$90,000/ ea. year (2018, 2019, 2020)
Additional \$ Previously Approved: \$ NA
Invoices over last approval: \$ NA
Percentage over last approval: NA %
Amount this Request: \$ \$362,500 (2017-2020)
Resulting Cumulative Total: \$ \$362,500 for 4-years

Contracting Method:

Method of Solicitation: Direct Negotiation
If applicable, basis for exemption: Sole Source
Term of Agreement: 4-years (2017-2020) March 20, 2017 thru Dec. 31, 2020
Option to Renew? 2017 plus 3-year commitment
Approval for purchases "as needed" for the life of the contract No
Proposals/Bids Received (Range): Direct Negotiation
Selection Basis: Sole Source

Staff is negotiating a User Agreement with *Peak Reliability* of Vancouver, WA and Loveland, Colorado for the authorization to access and use Peak's 'Hosted Advanced Applications' system to perform Real Time Contingency Analysis (RTCA) as required by the North American Electric Reliability Corporation (NERC).

This request is being made to meet compliance with NERC Standard TOP-001-3, R.13. Requirement 13 states; "Each Transmission Operator (TOP) shall ensure that a Real-time Assessment (RTCA) is performed at least once every 30-minutes" (24 –7 –365). This Requirement has an Enforcement Date of April 1, 2017. Reliability Standards are issued and enforced by the North American Electric Reliability Corporation (NERC), which reports to FERC (Federal Energy Regulatory Commission). Compliance with NERC Standards is mandatory by law and EWEB is subject to extensive fines if not in compliance.

Peak's Real-Time Contingency Analysis application will meet the TOP requirements by using real-time EWEB electric system data in conjunction with other area-wide data to anticipate and identify harmful system conditions and mitigating actions necessary to maintain reliability of the Bulk Electric System in the Western Interconnection. This is a proven and mature application that is already configured for and integrated into EWEB's SCADA system.

Selection:

Staff evaluated two software solutions and assessed Peak's RTCA as the lowest cost alternative with a low risk, simple execution, and no lead time. With access permissions acquired, EWEB users have immediate access to a proven application where EWEB data is configured and ready for use.

Peak Reliability's RTCA Application cost breakdown; \$92,500 in 2017 (\$362,500 aggregate over 4-years).

ACTION REQUESTED:

Management requests the Board authorize the General Manager to sign the resulting **User Agreement** with **Peak Reliability** for its **Hosted Advanced Applications**. Funds for this purchase are budgeted for 2017. The total Engineering and Environmental department budget is \$9.34 Million for 2017, and this item's future obligation will be budgeted annually.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Supervisor: _____

Executive Officer: _____

Board Approval Date: _____

stated how they intended to meet those needs. They provided information about the key persons, which are local. Having a local point of contact minimizes the logistical and communication breakdowns when training, scheduling and other issues arise. They were transparent in their pricing and step increases for their employees and take training and retention seriously. Pricing from local security contractors were comparable (\$66,000-\$67,000 per year), with the contractor from PA being an outlier. If approved, Premier Security will provide Unarmed Security Services for one-year with the option to renew for four additional years.

ACTION REQUESTED:

Management requests the Board approve a contract with **Premier Security** for **Unarmed Security Services**. Funds for this work, these services were budgeted. The 2017 Budget for Building Operations, Physical Security and Fleet Services is \$8.336 million.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Manager: _____

Executive Officer _____

Board Approval Date: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve Construction Task Order #7 with **Wildish Building Company** for the **procurement of Construction Services to install a new cooling water system.**

Board Meeting Date: March 7, 2017

Project Name/Contract#: Carmen Cooling Water System Improvements Construction Services –
Construction Task Order No. 7 for Contract #002-2011

Primary Contact: Mel Damewood Ext.7145

Purchasing Contact: Sandra Hahn Ext.7163

Contract Amount:

Original Contract Amount: \$210,000

Additional \$ Previously Approved: \$ n/a

Invoices over last approval: \$ n/a

Percentage over last approval: n/a

Amount this Request: \$210,000

Resulting Cumulative Total: \$210,000

Contracting Method:

Method of Solicitation: CM/GC - Guaranteed Maximum Price

If applicable, basis for exemption: 5-0680 (5) Construction Manager/General Contractor
Alternative Procurement

Term of Agreement: Through December 1, 2017

Option to Renew? No

Approval for purchases "as needed" for the life of the contract No

Proposals/Bids Received (Range): n/a

Selection Basis: Guaranteed Maximum Price

Narrative:

Construction Manager/General Contractor Task Order

In 2011, EWEB entered into a Construction Manager/General Contractor (CM/GC) contract with Wildish Building Company to oversee construction of improvements at EWEB's Carmen hydroelectric project. Under the contract, Wildish provides the following services:

- Review and comment on preliminary designs
- Recommend design changes to improve value
- Prepare construction cost estimates
- Competitively solicit bids for construction work, in accordance with EWEB procurement rules
- Prepare a Guaranteed Maximum Price for construction work
- Oversee and coordinate construction work

The CM/GC contract allows Wildish to submit bids on a task order basis, Wildish may self-perform or sub-contract for the work. For the Cooling Water System Improvements, Wildish has elected to self-perform the work.

The Guaranteed Maximum Price (GMP), once agreed to by EWEB, is the contract amount for any given

construction project. The following are components of the GMP:

- The base cost of the construction work, established through a competitive bidding process
- The CM/GC construction fee, which is a negotiated percentage of the base construction cost
- Bonds and insurance, which is a negotiated percentage of the base construction cost
- General conditions costs, which is a negotiated cost for project management and items such as job trailers, fencing, and traffic control

The latter three items vary based on the size of project, generally decreasing as a percentage of the total cost as the job increases in size.

Cooling Water System Improvements

The cooling water system conveys river water to the turbines and generators, maintaining critical components within acceptable operating temperature ranges. The cooling water system consists of two sub-systems: primary and emergency. The primary cooling water system consists of two 600-gallon-per-minute (gpm) pumps. The emergency cooling water system uses pressurized penstock water as its source. With the emergency cooling water system, pressure reducing valves decrease water pressure to appropriate levels prior to distributing to the turbine and generator components.

EWEB Generation Engineering staff prepared construction contract documents for GMP development. The work includes demolition of the existing cooling water pumps and emergency cooling water system; replacement of both cooling water pumps; and installation of new pressure reducing valves, piping, valves, and pipe supports.

Wildish, through the CM/GC contract, submitted a GMP on February 17, 2017. EWEB and Wildish staff completed negotiations on February 23, 2017.

ACTION REQUESTED:

Management requests the Board approve Construction Task Order No. 7 of Contract #002-2011 with Wildish Building Company for Carmen Cooling Water System Improvements Construction Services. Funds for this work are included in the \$12.96 million budgeted in the Carmen Relicensing CIP for 2017.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Manager: _____

Executive Officer: _____

Board Approval Date: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve Construction Task Order #6 with **Wildish Building Company** for the **procurement of Construction Services to install Turbine Shutoff Valves.**

Board Meeting Date: March 7, 2017

Project Name/Contract#: Carmen Turbine Shutoff Valve Replacement Mechanical Construction Services – Construction Task Order No. 6 for Contract #002-2011

Primary Contact: Mel Damewood Ext.7145

Purchasing Contact: Sandra Hahn Ext.7163

Contract Amount:

Original Contract Amount: \$1,760,000

Additional \$ Previously Approved: \$ n/a

Invoices over last approval: \$ n/a

Percentage over last approval: n/a

Amount this Request: \$1,760,000

Resulting Cumulative Total: \$1,760,000

Contracting Method:

Method of Solicitation: CM/GC - Guaranteed Maximum Price

If applicable, basis for exemption: 5-0680 (5) Construction Manager/General Contractor
Alternative Procurement

Term of Agreement: Through December 15, 2017

Option to Renew? No

Approval for purchases “as needed” for the life of the contract No

Proposals/Bids Received (Range): n/a

Selection Basis: Guaranteed Maximum Price

Narrative:

Construction Manager/General Contractor Task Order

In 2011, EWEB entered into a Construction Manager/General Contractor (CM/GC) contract with Wildish Building Company to oversee construction of improvements at EWEB’s Carmen hydroelectric project. Under the contract, Wildish provides the following services:

- Review and comment on preliminary designs
- Recommend design changes to improve value
- Prepare construction cost estimates
- Competitively solicit bids for construction work, in accordance with EWEB procurement rules
- Prepare a Guaranteed Maximum Price for construction work
- Oversee and coordinate construction work

The CM/GC contract allows Wildish to submit bids on a task order basis, Wildish may self-perform or sub-contract for the work.

The Guaranteed Maximum Price (GMP), once agreed to by EWEB, is the contract amount for any given construction project. The following are components of the GMP:

- The base cost of the construction work, established through a competitive bidding process
- The CM/GC construction fee, which is a negotiated percentage of the base construction cost
- Bonds and insurance, which is a negotiated percentage of the base construction cost
- General conditions costs, which is a negotiated cost for project management and items such as job trailers, fencing, and traffic control

The latter three items vary based on the size of project, generally decreasing as a percentage of the total cost as the job increases in size.

Turbine Shutoff Valve Replacement

The turbine shutoff valves (TSVs) at the Carmen powerhouse stop water flow to the turbines, protecting the equipment from damage and allowing periodic inspection and repairs. Recent testing revealed that the existing 55-year-old TSVs leak at a rate of approximately 3,400 gallons per minute. Because of this, inspection of the turbines has not been possible for 3 years.

In November 2015, EWEB entered into a contract to purchase two new 9-foot-diameter TSVs for \$1.6 million. This purchase was done through the CM/GC contract. Delivery of the valves is scheduled for early May 2017.

Black & Veatch, consulting engineers for the project, prepared mechanical installation contract documents for bidding. The work includes demolition and removal of the existing TSV's; replacement of both TSVs; installation of steel penstock extensions, steel spiral case extensions, valve actuators, valve closure counterweights, and hydraulic power units; and provision of new ancillary piping and valves. Electrical, instrumentation, and control improvements will be bid separately.

Wildish, through the CM/GC contract, publicly advertised the TSV mechanical installation contract in January 2017. Seven heavy mechanical contractors obtained contract documents for review. Three contractors attended the non-mandatory pre-bid meeting. On February 16, 2017, bids were received from JR Merit, Dix Construction, and Knight Construction.

The engineer's estimate for this work was \$2 million. It is possible that the relatively small amount of work (compared to typical large hydropower projects) discouraged additional large, heavy mechanical contractors from bidding.

In accordance with the CM/GC contract, Wildish will provide overall construction management services. The cost of the bid work plus other components of the GMP brings the GMP and total task order amount to \$1,760,000.

ACTION REQUESTED:

Management requests the Board approve Construction Task Order No. 6 of Contract #002-2011 with Wildish Building Company for Carmen TSV Replacement Mechanical Construction Services. Funds for this work are included in the \$12.96 million budgeted in the Carmen Relicensing CIP for 2017.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Manager: _____

Executive Officer _____

Board Approval Date: _____



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Helgeson, Brown, Mital, Simpson and Carlson
FROM: Karl Morgenstern, Property, Facilities & Source Protection Supervisor
DATE: February 24, 2017
SUBJECT: Watershed Protection Strategic Planning Update
OBJECTIVE: Update and approval of 2017 contracts

Issue

EWEB staff are in the process of finishing a 10-year strategic plan and budget for the Source Water Protection Program that will be presented at the July 2017 Board meeting for discussion and approval. This memo provides a general update around program goals and strategic direction for source protection ahead of the July Board meeting to ensure that contracts and work done in 2017 align with this shift in direction. One contract is up for Board approval, Lane Council of Governments, and others will be issued over the next few months.

Background

EWEB relies on the McKenzie River watershed for power generation from its hydroelectric facilities at Carmen-Smith, Leaburg, and Walterville and as a sole source of drinking water for the City of Eugene, which will have a backup supply when the second source is developed in the next 4-5 years. EWEB's long history in the McKenzie is one reason why in 2012 our McKenzie electric customers refused to be transferred to Lane Electric as EWEB explored ways to cut costs during hard economic times. EWEB's urban customers also place a high value on the importance of the McKenzie River as an excellent source of drinking water, as indicated by consistently high rankings in EWEB customer surveys over the last 10 years and in U of O/OSU customer and business surveys (2013-2014). This places EWEB in a unique position to effectively safeguard this key resource as a core customer value, which was reflected in the original strategic planning following Board adoption of the Drinking Water Source Protection (DWSP) program in 2000.

In 2001, the Board approved the initial source protection goals, objectives, and strategic direction outlined in the program implementation plan, which has guided program development until now. The original goal of EWEB's DWSP program is to measure the balance between watershed health and human use over time and implement actions that maintain exceptional water quality for current and future generations. To accomplish this, the program had two primary objectives: the first was to prevent, minimize and mitigate activities that have known or potentially harmful impact on source water quality; and the second was to promote public awareness and stewardship of a healthy watershed in partnership with others. These goals and objectives appear to remain true for the next ten-year planning horizon.

The original strategic direction to accomplish these goals and objectives was for EWEB to accept a leadership role for protection of the McKenzie River by working with partners to develop protection plans and programs that align and share resources.

Based on this direction, EWEB invested in building the programmatic infrastructure for a risk-based watershed protection approach that: a) is collaborative and builds lasting relationships with partners, stakeholders, landowners and communities; b) leverages partner and outside funding/resources; c) is based on best available science; d) addresses multiple economic, social and environmental issues that align with partner efforts for shared investments; and e) is evaluated over time for effectiveness. As the DWSP program was launched based on this approach, it became apparent that this was an effective formula for attracting grant funding. EWEB used grant funds to help build and test collaborative watershed protection programs such as the McKenzie Watershed Emergency Response System, Healthy Farms Clean Water, Septic System Assistance, Pure Water Partners, and others (see Board Memo's dated 8/15/2015, 10/25/2013, and 9/5/2013, as well as Table 1).

In May 2016, management checked in with the Board around increasing funding up to \$150,000 in 2017 for initiating source protection efforts in the Middle and Coast Fork Willamette watersheds and obtaining feedback on the assumptions guiding the current strategic planning efforts in both the McKenzie and Willamette watersheds (see Board Memo dated May 25, 2016). The Strategic Plan re-examines program goals and strategic principles, evaluates existing programmatic approaches and the value these efforts provide our customers, reviews lessons learned from program development, and proposes a vision for what the DWSP program should look like over the next 10-years given addition of a 2nd source and new partners. The strategic plan also assesses the costs over this time period. The hope is that this planning effort and the discussions and feedback that are part of the process will allow EWEB to make adjustments to the drinking water source protection program and secure long-term organizational support to guide future watershed protection efforts.

The work budgeted for 2017 includes completion of all programmatic infrastructure for the McKenzie DWSP program and initiating protection efforts in the 2nd source watersheds. This creates a natural break to establish strategic principles that will guide the next ten years of investment and priorities. Our current thinking is that the drinking water protection program is ready to shift from development to operations and maintenance in the McKenzie. However, in the Middle Fork and Coast Fork Willamette Watersheds, we need to perform a thorough risk assessment, meet and get to know major partners and stakeholders, and evaluate where to focus source protection efforts. Given the timing gap between Board discussion and ultimate adoption of the DWSP 10-year strategic plan in June/July 2017 and the immediate need to issue contracts to assist with 2017 work, there is a need to make sure current investments are aligned with this strategic direction.

Discussion

The strategic planning period is from 2018-2028, which captures the transition from developing and building (2001-2017) to running, monitoring and adjusting (2018+). The 2017/2018 transition phase will involve establishing long-term interagency collaborative agreements that align and share resources, funding, and responsibilities for watershed protection, allowing EWEB to better predict future budgets and monitor for effectiveness. The lessons learned and program components built for the McKenzie can be applied to protection of the 2nd source watersheds in a way that fits the reduced role EWEB will likely play. This will significantly reduce the investment EWEB makes to ramp up protection efforts at a controlled rate to be in place by the time the treatment plant is operational. Details will be provided in the draft 10-year strategic plan for Board review and discussion.

Table 1 summarizes the DWSP infrastructure that has been built to date, what is planned for completion in 2017, key partners (internal and external), and programmatic areas in which EWEB customers have direct access/engagement. As indicated in Table 1, the vast majority of programs built as part of the DWSP program are shared and supported by partners who provide funding and/or resources. The use of grant funds and partner resources allowed EWEB to build a comprehensive nationally-recognized program to protect the McKenzie Watershed with staff and funding that averaged \$525,000 with 1.75 FTE over the last 15 years, plus the investment of approximately \$1.2 million from reserves to support the permanent conservation of 350 acres in the McKenzie floodplain. Currently the program's 2017 budget is \$830,000 including 2.3 FTE and the addition of \$100,000 for new work in the 2nd source watersheds.

With the programmatic infrastructure in place by the end of 2017, EWEB can shift its focus from design and development to scaling up implementation in the McKenzie by pursuing three key strategic directions: 1) establishing the long-term administrative agreements that memorializes partner roles and responsibilities, outside funding sources, landowner commitments, and reporting requirements governing program operations over time; 2) using the water quality and watershed health monitoring tools that have been built for regular analysis and reporting that informs the Board and our customers around watershed health, program effectiveness, and return on investment; and 3) assessing opportunities to leverage EWEB-internal efforts and areas of interest to maximize the potential for partnerships and collaboration to gain efficiencies and reduce overall costs. Table 1 summarizes the logical areas where external partner agreements are needed to develop long term assurances for shared responsibilities and funding, as well as areas within EWEB where better integration could provide utility benefits and cost savings. The draft strategic plan will provide more details around the approach, scope and costs of these three strategic directions.

As EWEB looks toward protection of the 2nd source watersheds, it is clear that EWEB's role will be quite different from the leadership role taken in the McKenzie. The short-term (1-3 year) strategic direction is to: 1) understand existing efforts and partnerships that EWEB can leverage while assessing and prioritizing threats (including collecting and organizing existing GIS and water quality data); and 2) engage in limited expansion of two existing McKenzie programs (spill response and water quality monitoring) with new partners that focuses more on the Coast Fork Willamette. Once we have a better understanding of the high priority threats, where they exist on the landscape, water quality, and existing efforts and partnerships that EWEB can leverage, long-term strategic principles can be developed to guide and focus future efforts and investments.

LCOG and other 2017 Contracts

The Board is being asked to approve one contract (LCOG) ahead of adopting a new 10-year strategic plan. A second one-year contract for the USGS was recently approved (not needing Board approval). Both of these contracts and others that will be issued in the coming months are being vetted to make sure the work done will not be impacted by this strategic transition of the DWSP program. Table 1 highlights the areas where the LCOG and USGS work under these contracts ties to the work in 2017 mentioned above. In addition, both of these contracts support work in the 2nd source watersheds. LCOG will provide services to collect and organize existing GIS data. The USGS will be part of the Blue Ribbon Panel and support water quality storm event and Harmful Algal Bloom (HAB) monitoring and analysis in the upper Willamette watersheds.

Recommendation

Acknowledgement of the current transition period for the DWSP program and support for one key contract as part of 2017 budgeted work.

Requested Board Action

Approval of LCOG contract.

TABLE 1: SUMMARY OF EWEB'S DRINKING WATER SOURCE PROTECTION PROGRAM INFRASTRUCTURE

PROGRAM	PROGRAM PURPOSE	INFRASTRUCTURE BUILT TO DATE	INFRASTRUCTURE TO BE COMPLETED IN 2017	KEY PARTNERS	EWEB PARTNERS	CUSTOMER ENGAGEMENT
Water Quality Monitoring	Assess water quality trends over time and investigate problem areas and emerging contaminants	WQ Database, Web Dashboard & Portal for EWEB Data	Add 2nd Source Monitoring Sites/Data	LCOG	HB, Public Affairs	YES - use of websites/refer customers in response to calls and inquiries on WQ YES - use of website/provdng public notices of HABs
		Storm Event & Baseline Monitoring	2nd Source Monitoring	USGS	HB, Environ., Property	
		Real-Time EWEB Monitoring Stations	2nd Source Monitoring Station		HB, Environ., Property, Facilities	
		Data Analysis and Trend Tools	State of the Watershed Report Template	USGS	HB, Environ., Generation	
		Harmful Algal Bloom Monitoring	2nd Source Monitoring	USFS, USGS, OHA, OSU	HB, Environ.	
Watershed Health Monitoring	Assess watershed health, climate change impacts, and effectiveness of DWSP program over time	U of O SLICES Framework	OSU/UofO SLICES Data Collection (10-yr interval)	U of O, OSU, LCOG	Generation	YES - OSU/U of O website that provides customers access to SLICES
		Repeat LiDAR Flights (2009 & 2016)	Repeat LiDAR Flight Analysis (5-yr Interval)	ACOE, LCOG, USFS, DOGAMI	Generation	TBD
		USGS Gaging Stations Forestry Chemical Spray/Harvest Tracking		USGS, ACOE	HB, Generation	YES - use of website YES - website/response to calls
		Watershed Action Plan/Shared Investment Priorities	Watershed Investment Priorities Committee	MWC, USFS, BLM, ODFW, ACOE, Weyco, MRT, UWSWCD	Environ., Generation	YES - MWC website
Septic System Assistance	Encourage proper maintenance, repair and replacement of septic systems	Septic Inspection/Minor Repair Cost-Share				YES - McKenzie homeowners
		0% Interest Loan Major Repair/Replacement			EMS	YES - McKenzie
Illegal Camping	Ensure a well-coordinated repsonse to illegal camping along waterways and on EWEB owned property	Web Application (passive tracking)	Web Application Upgrade (active alerts/tracking)	LCOG, Willamette River Keepers	Public Affairs, Property, Security	YES - use of Web App to input illegal camps
		Partner Coordination/Funding Alignment		Springfield, Eugene, Willamalane, Lane County, Oregon Parks, SUB, many others	Property, Security, Public Affairs	
		EWEB Property Response			Security, Property, Facilities	YES -ability to respond to customer calls
Healthy Farms Clean Water	Reduce chemical use on farms	Farmer Project Selection Criteria/Focus		OSU Extension, OSU, UWSWCD, NRCS, MWC, MRT,		YES - McKenzie farmers

TABLE 1: SUMMARY OF EWEB'S DRINKING WATER SOURCE PROTECTION PROGRAM INFRASTRUCTURE

PROGRAM	PROGRAM PURPOSE	INFRASTRUCTURE BUILT TO DATE	INFRASTRUCTURE TO BE COMPLETED IN 2017	KEY PARTNERS	EWEB PARTNERS	CUSTOMER ENGAGEMENT
Watershed Emergency Response	Ensure well-coordinated response to hazardous material spills	GIS-Based Response Management System Four Equipped Trailers/Drills	Web-Application/Public-Private Partnership (revenue generation); Expand to cover 2nd Source 2nd Source Expansion	LCOG, MB&G, EPA, DEQ HazMat Team, Eugene/Springfield Fire, McKenzie Fire, ODOT, ACOE, USFS, SUB, Springfield	Geographics, Environ., Generaton, HB HB, Generation, Environ., Property, Facilities, Public Affairs	
Education & Research	Educate youth and encourage and leverage research on issues important to EWEB	Education Basin/Outdoor Classroom Leaburg Forest Management Plan University Research Contracts/IGAs	Expand to 2-3 more high schools Leaburg Demonstration Forest Selective Harvest (revenue generation) FEMA Floodplain Insurance Program, Micro-Grids, Naturescaping, Threat Risk Assessment, Biological Control for Filbert Worm, Climate Change	MWC, Springfield School Dist., LLC, U of O, MFWC, CFWC OSU Extension U of O (PPPM, Landscape Architecture, Law School), OSU (OPAL, Horticulture, Hydrogeology)	Public Affairs (PIE) Property, Generation, Environ., Public Affairs, Engineering, Surveyors, Environ., Generation, Engineering, Public Affairs, Key Accounts, Power Planning	YES - Teachers/Students YES - Teachers/Students Yes - Professors/Students
Pure Water Partners	Align and prioritize watershed investments to protect and restore riparian and floodplain forests	Riparian Assessment/Scoring Process Program Boundary/Prioritization Riparian Management Plan Template Naturescaping Program PWP Website/Dashboard Funding Agreements (OWEB)	 Funding Agreements (MWMC, USFS, Business Sponsorship) Watershed Conservation Fund Landowner and Partner Agreements/IGAs	MWC, LCOG, UWSWCD, TFT LCOG, USGS MWC, UWSWCD, MRT U of O, MWC, UWSWCD LCOG OWEB, USFS, MWMC, TFT, CPRCD, MWC, UWSWCD, U of O CPRCD, USFS, MWMC, OWEB, TNC, TFT CPRCD, MWC, UWSWCD, TFT, LCOG, MWMC,	Environ Generation Environ Environ Public Affairs Finance Finance Finance, Property	YES - McKenzie landowners YES - McKenzie landowners YES - McKenzie YES - customer use of website YES - Eugene businesses YES - McKenzie landowners
Urban Runoff Mitigation	Treat and reduce pollution impacts from urban stormwater runoff	Stormwater Trash Rack & Wetland Treatment Design	Permitting, Easements, & IGAs	Springfield, ODOT, MWC, ODFW, IP, SUB, Rainbow Water	Environ, Property, Surveyors	

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a new Intergovernmental Agreement (IGA) with **Lane Council of Governments** for **providing technical assistance to EWEB's Drinking Water Source Protection Program**.

Board Meeting Date: March 7, 2017

Project Name/Contract#: Drinking Water Technical Assistance, IGA 17-0003

Primary Contact: Mel Damewood Ext. 7145

Purchasing Contact: Quentin Furrow Ext. 7380

Contract Amount:

Original Contract Amount: \$150,000 for 1 year

Additional \$ Previously Approved: \$ n/a

Invoices over last approval: \$ n/a

Percentage over last approval: n/a %

Amount this Request: \$150,000

Resulting Cumulative Total: **\$150,000**

Contracting Method:

Method of Solicitation: Direct Negotiation

If applicable, basis for exemption: Intergovernmental Agreement

Term of Agreement: March 8, 2017 - July 31, 2018

Option to Renew? Yes

Approval for purchases "as needed" for the life of the contract No

Proposals/Bids Received (Range): Direct negotiation

Selection Basis: IGA

Narrative:

The Board is being asked to approve a new Intergovernmental Agreement (IGA) with **Lane Council of Governments** for **providing technical assistance for EWEB's Drinking Water Source Protection Program**.

The 2017 work supports EWEB's efforts to transition the McKenzie source protection program to a programmatic approach with long-term effectiveness monitoring. The contract is set up as a Master Services Agreement where Task Orders can be issued as planned and in alignment with the Water Source Strategic Plan.

Tasks that may be issued under this Agreement include: 1) maintaining existing systems (water quality database and watershed health dashboard and website); 2) supporting completion of work associated with the Pure Water Partners pilot project as part of grant close-out (OWEB grant final report and close-out due march 2017) and providing GIS data to support the McKenzie Watershed Emergency Response System web application development and expansion to the Willamette; and, 3) the collection and organization of some key GIS and other data that will support EWEB's initial assessment efforts in the Middle and Coast Fork watersheds.

These efforts benefit EWEB's customers by maintaining and updating websites and databases that are accessible to the public and provide information about watershed health and source protection efforts. EWEB often refers customer inquiries to these and other resources when addressing their questions about forest chemical spray activities, pesticides detected in the watershed, harmful algal blooms, and other water quality questions.

Staff requests Board approval of a new IGA with **LCOG** to continue providing water quality monitoring data management and GIS support. The 2017 scope of work with LCOG is budgeted to not exceed \$150,000. IGAs are

exempt from solicitation and this work builds off of previous work LCOG has done for EWEB over the last ten years.

ACTION REQUESTED:

Management requests the Board approve a new IGA with **Lane Council of Governments** for **providing technical assistance to EWEB's Drinking Water Source Protection Program**. Funds for these services were budgeted for 2017. Total Environmental and Engineering Department budget for 2017 is \$9.34 Million.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Manager: _____

Executive Officer: _____

Board Approval Date: _____

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Manager: _____

Executive Officer: _____

Board Approval Date: _____