

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
July 10, 2018
5:30 P.M.**

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

Others Present: Frank Lawson, General Manager; Sue Fahey, Chief Financial Officer; Marianne McElroy, Business Line Manager; Chris Jones, Project Manager; Matt Barton, Chief Information Officer; Mel Damewood, Chief Water Engineering & Operations Officer; Wally McCullough, Water Engineering Supervisor; Rod Price, Chief Electric Engineering & Operations Officer; Tyler Nice, Systems Engineering Supervisor; Mike McCann, Generation Manager; Deborah Hart, Interim Financial Services Manager; Jerry Reller, Senior Financial Analyst; Adam Rue, Interim Fiscal Services Supervisor; Nate Schultz, Senior Financial Analyst; Susan Ackerman, Chief Energy Officer

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

Agenda Check

There were no changes or additions to the Agenda.

Items from Board Members and General Manager

- Vice President Carlson reported that she attended the Solar Challenge, and that she thoroughly enjoyed seeing all the projects the young people came up with.
- Commissioner Simpson reported that he recently attended the American Water Works Association (AWWA) meeting with Mr. Lawson and Mr. Damewood. He also announced that he had attended recent cybersecurity workshops, and felt like he learned a lot of valuable information.
- President Brown said that he also attended the Solar Challenge, and the facilitators of the event did an outstanding job. Mr. Brown announced, and asked those present to help him in celebrating General Manager Frank Lawson's birthday.
- Mr. Lawson thanked staff for participating in the Butte to Butte race, Jeannine Parisi was a big part of that. He also thanked David Donahue for organizing over a dozen EWEB employees to help with upriver cleanup. Mr. Lawson also thanked Roxy Satterfield for coordinating some 60 EWEB employees to help with the Special Olympics.

Public Input

Jim Neu of Eugene urged the utility to support sustainable forestry. He asked EWEB to denounce clearcut style logging in watersheds, as it promotes toxic algae blooms.

Isaac McCoy-Sulentich of Eugene stressed a sense of urgency to the utility surrounding climate change. He wondered what science and rubrics EWEB was using to study the negative effects of climate change. He asserted he would like to see measurable goals in any EWEB resolution involving climate change.

Victor Odlivak of Eugene read a letter he previously submitted to the Register Guard, and Eugene Weekly. In the letter, he spoke out against EWEB's smart metering contract, the removal of analog meters without EWEB customer consent, and local herbicide and pesticide spraying.

Vice President Carlson thanked everyone for offering their testimony. She believed EWEB's work on climate change issues was ongoing and progressive, and the utility was working on ways of communicating with the public what exactly their climate change work entails.

Commissioner Simpson asserted that EWEB has a handle on carbon, and the utility continued to strive in its climate change work. He said when the Board received the background material for the Integrated Electric Resource Plan (IERP) that would be a great time for a briefing on EWEB's climate change metrics and goals.

Commissioner Helgeson said that EWEB was taking steps to monitor and prevent water quality issues related to toxic algae blooms and EWEB has testing and treatment abilities that are consistent with the new regulations. He said EWEB did not have a regulatory role in those matters, and the utility's best hope was to address these situations legislatively with the bodies that did have regulatory roles within the watershed.

Commissioner Mital assured those present that EWEB has flexibility to handle raw water in order to manage the presence of algae. EWEB now has equipment on site that will speed the detection of any algae related concerns. He agreed with his colleagues that EWEB was also working on climate change issues, but he admitted that the utility could be better in its communication of that work with the public to satiate concerns.

President Brown announced the 9th Circuit Court mandated a minimum flow on the Willamette for salmon. He reported that Cougar and Blue River reservoirs released more water, and it caused a myriad of issues throughout the water system. He shared this to illustrate that although EWEB was doing everything it could to combat climate change, there were major factors which were out of the utility's hands.

Approval of Consent Calendar

MINUTES

1. June 5, 2018 Regular Session

CONTRACTS

2. Kronsberg Electric, Inc. (Redmond, OR) - for Standby Power Improvements at the Hayden Bridge Water Filtration Facility. \$475,000.

RESOLUTIONS

3. Resolution No. 1818 - Update to Board Policy SD1, Mission, Vision, Values & Legacy and Amendment to Strategic Plan.

4. Resolution No. 1819 - Riverfront Proceeds Transfers.

5. Resolution No. 1820 - Revisions to Board Policy SD15, Climate Change.

OTHER

6. Customer Service Policy, Appendix C - Amendment to incorporate Water Utility Fees which were approved on October 3, 2017.

Commissioner Helgeson moved to approve the Consent Calendar as presented. The motion passed unanimously 5:0.

Items Removed From Consent Calendar

There were no items removed from the Consent Calendar.

Advanced Metering Infrastructure (AMI) Implementation Schedule

Ms. Fahey, Mr. Jones, and Ms. McElroy offered the Board a presentation on the AMI implementation schedule.

Commissioner Simpson asked for elaboration on the bullet point dealing with the disconnect between the timing of some products and services.

Ms. McElroy said the full benefit of EWEB's systems would not be realized until some new systems were in place.

Commissioner Helgeson asked what the deployment timeline was.

Ms. Fahey said three years.

Commissioner Helgeson conveyed the difficulty in communicating AMI progress to the public while the AMI deployment plans were ever-changing. He stressed the importance of consistency with the AMI rollout.

Commissioner Mital asked for clarification on switching to the three-year timeline, from the eight-year timeline.

Ms. Fahey said reserves were being built into the Long Term Financial Plan, and the Capital Plan for both sides of the utility. She said they expected staffing resources would be adequate to accommodate meter replacement in the future. Commissioner Mital asked staff to enumerate which services would be delayed due to the Customer Information System (CIS) update in 2022.

Ms. McElroy listed prepaying options, and advanced pricing as not being readily available immediately with the AMI rollout.

Vice President Carlson expressed concern over the connection between AMI and the CIS.

President Brown asked staff if they had the direction they sought.

Ms. Fahey replied she did not think they did. She suggested the Board review the Capital Improvement Plan (CIP), and the Long Term Financial Plan (LTFP), and check back in at the end of the meeting for clarified direction on this matter.

Commissioner Simpson said he was in favor of the accelerated schedule.

Electric & Water 10-Year Capital Improvement Plans

Mr. Barton, Mr. Damewood, Mr. McCullough and Mr. Price offered the Board a report on electric and water 10-year Capital Improvement Plans (CIP).

Commissioner Simpson wondered about the timeframe for loss of generation from Carmen-Smith due to plant upgrades.

Mike McCann, Generation Manager said the Carmen-Smith plant was currently offline, and would remain offline until October.

Commissioner Simpson asked if the 72% system life rating for telecommunication was just the fiber loop, or did it include the radio infrastructure.

Mr. Price replied it included the entire telecommunications infrastructure, including radio.

Commissioner Helgeson said—as far as benchmarking went—he was interested in efficient deployment of capital assets. He added he would like to see this kind of detail(s) in the CIP.

President Brown expressed concern about the drop in Emergency Preparedness funding from \$1 million to \$400,000. He wants assurance that EWEB is continuing with the plan for alternative water sources, including wells, in addition to emergency water trailers.

Mr. McCullough said the estimate was off because the work had not been thoroughly scoped last year. Mr. Damewood interjected that EWEB has built up an Alternative Water Source (AWS) reserve which can be used if a project needs to be accelerated. President Brown wondered if the replacement of the College Hill reservoir was in the 10-year CIP.

Mr. McCullough said yes, it was scheduled for 2023.

Commissioner Mital asked if EWEB would be receiving more or less the same level of service with the Banner Customer Information System (CIS) upgrade as we were anticipating with the Cayenta CIS system.

Mr. Barton answered that his department thought so, and he was hoping for about 80% of the Cayenta performance from the Banner system for a 10-year period.

Commissioner Mital asked the Water staff to talk about their capital planning to accommodate a faster AMI deployment; it is different than the Electric side of the utility which plans to maintain its Type 1 work. He asked for more explanation around the Water Utility's plan to reduce its Type 1 work, somewhat significantly, over the two years

Mr. Damewood explained they have evaluated short term reductions and do not believe it will have an adverse impact. Unlike electric poles and wires, the condition of underground water pipes is not visible. Water pipe generally has a life of 75-100 years; the 25 year span provides some period of grace. EWEB will continue to keep up with paving projects and repairs, and will replace water mains as needed. If Type 1 renewal and replacement work were to be deferred on an on-going basis, reliability problems would result.

Commissioner Simpson moved to approve the first five years of the 2019 Electric and Water Utility 10-Year Capital Improvement Plans, and the Capital Budgets for 2019 as outlined in the first year of both CIPs. The motion passed unanimously 5:0.

EWEB Development Policy - Infrastructure Extensions

Mr. Damewood, and Mr. Price offered the Board a report on the EWEB Development Policy - Infrastructure Extensions.

Commissioner Helgeson highlighted a distinction between Electric and Water; the Water Utility has a System Development Charge (SDC) that recovers certain joint use infrastructure investments that are not dedicated to a particular development. There is not an equivalent on the Electric side. He asked Management's opinion on whether we need some kind of corollary on the electric side, or whether it should be abandoned on the water side for the sake of economic development.

Mr. Price said he didn't believe anything should be changed, although opportunities and exceptions do exist.

President Brown suggested everyone think about the large piece of land between Irving Rd. and the urban growth boundary, and what it meant for Development Policy and the utility's infrastructure when that area was eventually developed.

Break

President Brown called for a break at 7:40 pm. The meeting reconvened at 7:50 pm.

Commissioner Helgeson left the meeting at 7:40 p.m.

Long-Term Financial Plan (LTFP) Update and 2019 Budget Assumptions

Ms. Fahey, Ms. Hart, Mr. Rue, Mr. Reller, and Mr. Schultz offered the Board an update on the LTFP, and 2019 budget assumptions.

Vice President Carlson wondered why there was a range of debt service coverage ratio on the water side instead of a single value.

Ms. Fahey responded that has been standard procedure for many years, because typically water utilities have less income flowing in, and lower debt service coverage.

Commissioner Simpson was curious about the shift in shared services allocation.

Ms. Hart explained the utility used a formula known as the Massachusetts Formula. She mentioned that, since 2012, the water side's proportionate share of revenue had risen, along with capital in service, and labor.

President Brown asked how System Development Charges (SDC) revenue is used to pay debt.

Ms. Hart explained that SDC money is used to pay into capacity that already exists in the system, and that portion is used to serve debt.

President Brown wanted to ensure the optics of debt service were clear and explainable.

Commissioner Mital asked what would happen if the market price for electricity did not go from \$21 to \$36 by 2028.

Mr. Rue replied the budget was built around the forward curve, and the portfolio was hedged out up to five years.

Mr. Lawson said as the utility gets out beyond five years into the future, its reliance on wholesale markets would drop dramatically due to expiring contracts.

Commissioner Simpson moved to direct staff to prepare the 2019 budget using the assumptions set forth in the June 27 LTFP memo. The motion passed unanimously 4:0

President Brown asked if everything discussed would be reset in 2028.

Ms. Fahey said as far as BPA was concerned, yes.

President Brown noted that the current 10 year projection ends with 2028 and inquired whether management has considered what EWEB will do about the forward price curve in that next year.

Ms. Fahey explained that Susan Ackerman's group is looking into that and when their work is further along we will build that into our financials.

General Manager Lawson weighed in saying there is much work to be done over the next 2-3 years relative to major cost issues involving our supply chain; this is where the Integrated Electric Resource Plan (IERP) and contractual work comes in. The board will be brought information relative to these big decisions, and the contract with BPA which expires in 2028 is one piece. Ms. Ackerman has this in her purview and has already started to work on this.

Residential Pricing Tiers

Ms. Ackerman offered the Board a report on residential pricing tiers.

President Brown asked how the utility was to refute the numbers in this report that suggest EWEB was de-incentivizing conservation.

Mr. Rue said potentially the missing incentives for conservation could be supplemented with future programs.

Mr. Lawson clarified that the payback on conservation could be changed through incentives instead of rates.

Vice President Carlson urged her colleagues to focus on outreach to the EWEB rate-payers who are focused on local and global conservation, in an effort to be proactive about possible changes to pricing tiers.

Commissioner Mital asked for an explanation of the key message regarding "bill transparency." He suggested that part of the messages about new pricing tiers should be stricken, as it suggests the utility was not transparent with their billing in the past.

Mr. Harwood explained that sometimes customers do not understand how their bill works and question why they are paying a cent and a half more for some of their usage. Commissioner Mital clarified that the new pricing structure increases simplicity.

Correspondence & Board Agendas

Mr. Lawson offered the Board a report on Correspondence & Board Agendas.

Commissioner Simpson wondered if there was an opportunity to sell water testing services to other agencies who may need it.

Mr. Damewood said yes.

Mr. Morgenstern elaborated saying that EWEB is in the process of entering into an Intergovernmental Agreement with another utility to take their samples after hours, weekends and holidays, however he cautioned that EWEB cannot sell its services in competition with commercial labs, during hours those labs are open for business.

Commissioners expressed a desire to know more about these limitations and why.

Board Wrap Up

Vice President Carlson applauded the Customer Service team for extending hours.

Commissioner Simpson said he had not seen a lot of action taken on the utility's website in follow up to his meeting with management and would like to know what action has been taken.

President Brown asked for, and received, head nods from his colleagues about adding Collapsing Water Pricing Tiers to the August meeting agenda, which was light on subject material.

Adjourn

President Brown adjourned the meeting at 9:07 p.m.

Assistant Secretary

President