

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
August 7, 2018
5:30 P.M.**

Commissioners Present: John Brown, President; Sonya Carlson, Vice President; Steve Mital, John Simpson (via teleconference), Commissioners

Commissioners Absent: Dick Helgeson

Others Present: Frank Lawson, General Manager; Sue Fahey, Chief Financial Officer; Matt Barton, Chief Information Officer; Mel Damewood, Chief Water Engineering & Operations Officer; Rod Price, Chief Electric Engineering & Operations Officer; Susan Ackerman, Chief Energy Officer; Brenda Wilson, Executive Director – Lane Council of Governments; Lena Kostopulos, Chief Human Resources Officer; Rene Gonzalez, Customer Solutions Manager

President Brown called the Regular Session to order at 5:29 p.m.

Agenda Check

There were no changes or additions to the Agenda.

Items from Board Members and General Manager

- Vice President Carlson announced there was a youth-centered town hall meeting scheduled for September. She said they were already reaching out to various Neighborhood Associations throughout the autumn.
- Commissioner Mital reported that he had met with John DeWenter, a Springfield Utility Board (SUB) Board member, three weeks ago to discuss further the possibility of EWEB and SUB sharing the Hayden Bridge facility in some capacity. Commissioner Mital asked for, and received Board consensus for President Brown to have a dialog with Springfield Utility Board's President around the possibility of sharing Hayden Bridge with SUB.
- President Brown noticed in the Quarterly Report, that the utility had identified 22 camps above EWEB's intake, and he appreciated staff's work in identifying said camps. He asserted that he refused to forget about the recent oil spill up the McKenzie River, and he said he would like to have the report detailing how the International Paper spill entered the river.
- Mr. Lawson said that staff was working the oil spill issue on different levels, including the account itself, and through the Department of Environmental Quality (DEQ).

Public Input

Bob Cassidy of Eugene spoke about tiered pricing; he said that although EWEB purported the tiered rate system to be complicated and hard to understand, it was neither.

Commissioner Simpson posited the flat tier rate structure was easier for the ratepayers to understand, than the tiered system.

Approval of Consent Calendar

MINUTES

1. July 10, 2018 Regular Session

CONTRACTS

2. Delta Sand & Gravel Company - for Rock Material. \$750,000 (over a five-year contract).

3. Fastenal - for Warehouse Inventory Vending Solution and Materials. \$450,000 (over the next five years).

4. Halvorson Contracting - for the Roosevelt Operations Center (ROC) Consolidation Project - Interior Remodel. \$1,540,000.

5. Kronsberg Electric - for Construction Services for the installation of the Leaburg Fish Screen Standby Generator. \$260,000.

6. Michels Power - for Construction Services at Leaburg Substation. \$552,000.

7. Mythics Inc. - for Oracle Software and Services. \$750,000 (over two years).

8. Pacific Excavation of Eugene, OR - for Hayden Bridge On-Site Hypochlorite Disinfection Housing Improvements. \$2,411,000.

RESOLUTIONS

9. Resolution No. 1822 - Customer Generation Rates

10. Resolution No. 1823 - Update to Board Policy GP15, New Commissioner Orientation

Vice President Carlson moved to approve the Consent Calendar minus Item 7. The motion passed unanimously 4:0.

Items Removed From Consent Calendar

Commissioner Mital pulled Item 7. He felt he needed a bit more information on the \$750,000 contract with Mythics Inc.

Mr. Barton explained EWEB's Oracle contracts go back to the late 90s, and some of the software was due to be upgraded.

Vice President Carlson moved to approve Item 7 on the Consent Calendar. The motion passed unanimously 4:0.

Lane Council of Governments Overview

Ms. Wilson offered those present an overview and Power Point presentation on Lane Council of Governments (LCOG).

Vice President Carlson wondered about the timeline of bringing the Shake Alert earthquake warning system online.

Ms. Wilson replied that it was a nationwide system that Oregon was getting involved in. She said information on Shake Alert would begin being disseminated this autumn.

Vice President Carlson asked staff if they referred EWEB ratepayers who were unable to pay their bills to LCOG services.

Ms. Fahey said she did not recall if that was the case or not.

President Brown asked how much money EWEB spent with LCOG annually. He also wondered if that amount was fixed or variable.

Ms. Wilson said the amount varied depending on services; she added that EWEB's annual dues to LCOG were \$9,280.

Commissioner Simpson asked Ms. Wilson to pass on information to the Board concerning early text-alerting systems employed by LCOG, at her earliest convenience.

Tiered Pricing for Water

Mr. Damewood, and Ms. Ackerman offered the Board a report and Power Point presentation on tiered pricing for water.

Vice President Carlson wondered if the Division 86 requirements, mentioned in the backgrounder, require EWEB to give a price signal for conservation.

Mr. Damewood answered that while there was not a requirement to do that specific thing, there was a requirement to meter water, and they also encourage us to use pricing as a way to encourage conservation, but it is not a precise requirement. He added that, if in the future the utility decided to flatten water rates, they would have to make a case for that decision as per Division 86 requirements.

President Brown stressed that ratepayer relations are crucial for the utility, but even more so during times of changes to the rates.

Commissioner Simpson spoke in favor of decoupling discussions of water tiered pricing from electric tiered pricing.

Commissioner Mital also spoke in favor of decoupling discussions of water tiered pricing from electric tiered pricing. He asked if the Board had seen and weighed in on the current five-year-plan.

Mr. Damewood said there was not much change to the Water Management & Conservation Plan (WMCP) with the 2017-18 update, and staff had gone forward with a comment period. He asserted that if the Board had not seen the aforementioned updates, they definitely should be made aware of them.

Commissioner Mital asserted that, in the future, reports that EWEB submitted to the Water Resources Board should be summarized for the EWEB Board by staff, and that the Board should be the decision-makers of said reports.

Vice President Carlson said she was also in favor of decoupling discussions of water tiered pricing from electric tiered pricing.

City of Eugene Billing

Mr. Lawson offered the Board a report and Power Point presentation on City of Eugene billing which was done through EWEB.

President Brown said he would not mind including municipal charges on EWEB bills, but if that were the case, those charges would be uncoupled from the utility charges.

Vice President Carlson wondered if an EWEB ratepayer having trouble paying their bill would be adversely affected by the additional City of Eugene charges.

Mr. Lawson suggested the decoupling of EWEB charges from Eugene charges would be beneficial to the EWEB customer having trouble paying their utility bill. He said it was a legitimate concern, and he and staff would look into it.

Commissioner Mital asked how payment arrangements for an EWEB ratepayer were handled.

Mr. Lawson replied that it was prorated across the different fees of the bill.

Break

President Brown called for a break at 6:54 pm. Vice President Carlson reconvened the meeting at 7:05 pm.

Commissioner Simpson left the meeting at 7:36 p.m.

Quarterly Strategic & Operational Report for Q2 2018

Mr. Lawson and the Executive Team offered those present a Strategic and Operational Report for Q2 2018, accompanied by a Power Point presentation.

President Brown said the report was one of the best he had seen in decades; he thanked staff for their hard work. He then inquired about the variance between the target and the balance of Cash & Designated Funds. Ms. Fahey explained that much of the difference is attributed to the Pension & Post-Retirement fund which does not have a target. When the Board discusses the Highest and Best use of Cash later this year, we anticipate those funds will be used to pay PERS transition liability. Another driver is the Rate Stabilization Fund; its target is \$5M and there is currently \$31M in the fund. The Board designated \$16M for capital and we intend to use a portion to reduce bonds issued in the future for Carmen-Smith work and Management will come to the Board for approval.

Commissioner Mital wondered if a tour of the new water distribution system in Bethel could be arranged.

Mr. Damewood said they were planning a functional exercise at the aforementioned facility, and the date of that exercise would be advertised publicly.

Commissioner Mital asked if there was any way to recover lost revenue from the recent IP outage.

Mr. Lawson said there are both generation and retail revenue impacts and the present contract does not allow recourse for recovering lost revenue. He further explained that the utility was in the process of renegotiating the current contract.

Vice President Carlson wondered if cyanotoxin testing was a service EWEB was able to offer to other utilities.

Mr. Damewood said there was legislation in place that makes it hard for the utility to offer said services to other agencies.

Correspondence & Board Agendas

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

Commissioner Mital asked for clarification of Blackstart generation capabilities.

Mr. Lawson offered Commissioner Mital an overview of Blackstart capabilities as per being able to start a power generator basically from nothing without the power grid.

Commissioner Mital inquired about the term Rate of Return. Ms. Fahey replied that it measures what we collect from our current customers for infrastructure and assets versus future customers. The Water metric is slightly out of range because we purposely collected reserves for the Alternative Water Supply in the past; it will start coming down now that we have decreased water rates in 2018. The higher the rate of return, the more you are collecting from current customers for long lived assets; the lower it is, the more you are deferring to future customers.

Board Wrap Up

Commissioner Mital wondered when he could expect a follow-up on budget projection assumptions.

Ms. Fahey said the follow-up would be in October.

Commissioner Mital asked for clarification on the Cayenta decision.

Mr. Lawson said the aforementioned costs were already incurred.

Ms. Fahey offered that when the Cayenta contract was cancelled, a 90-Day termination clause was used, instead of an At-Fault termination clause. She said it was harder to recover costs having used the 90-Day termination clause.

Adjourn

Vice President Carlson adjourned the meeting at 8:03 p.m.

Assistant Secretary

President