

**EUGENE WATER & ELECTRIC BOARD
UPRIVER SESSION**

**MCKENZIE FIRE & RESCUE TRAINING CENTER
42870 MCKENZIE HIGHWAY**

**April 23, 2019
6:30 P.M.**

Commissioners may pose questions to staff prior to the scheduled board meeting. To view Commissioners' pre-meeting questions and staff responses, visit <http://www.eweb.org/about-us/board-of-commissioners/2019-board-agendas-and-minutes>.

Commissioners Present: Sonya Carlson, President; Steve Mital, Vice President; Dick Helgeson, Mindy Schlossberg, Commissioners

Commissioners Absent: John Brown

Others Present: Frank Lawson, General Manager; Patty Boyle, Principal Project Manager; Jen Connors, Communications Specialist; Randy Dersham, McKenzie River Discovery Center; Rene Gonzalez, Customer Solutions Manager; Tom Hoyt, McKenzie River Discovery Center; Mike McCann, Generation Manager; Lisa McLaughlin, Environmental Supervisor; Rod Price, Chief Electric Engineering & Operations Officer; Mark Zinniker, Generation Engineering Supervisor; Juan Serpa-Munoz, Business Line Manager

Welcome and Meeting Overview

President Carlson called the Upriver Session to order at 6:32 p.m. She welcomed everyone in attendance and thanked them for being there. President Carlson recognized Debi Wilson, General Manager of Lane Electric; she thanked Ms. Wilson for attending. President Carlson also recognized Lane County Commissioner Heather Buch; she thanked Commissioner Buch for attending.

Leaburg Canal Update

Mr. McCann and Mr. Zinniker offered those present an update and PowerPoint presentation on the Leaburg Canal.

Some salient points of the presentation were:

- Installed new standby generator at the Leaburg dam
- Installed cameras at the Leaburg dam facility
- Leaburg canal is in outage since October, 2018, due to canal seepage
- Along the Leaburg and Walterville canals, there are 24 seepage weirs for monitoring seepage
- In September, 2018, one of the seepage weir locations exhibited with a small void opening on the canal floor behind the weir; this was the triggering event for lowering Leaburg canal levels

- Leaburg canal will still be nonfunctioning during the dry season of 2019

Carmen Smith Project Update

Mr. McCann and Mr. Zinniker offered those present an update and PowerPoint presentation on the Carmen-Smith project.

Some salient points of the presentation were:

- Work is wrapping up on improvements to the Icecap Campground, and will be accessible to the public by Memorial Day, 2019
- Decades-old equipment at the Carmen-Smith power plant is being replaced, including turbine shutoff valves
- As of April 2019, Carmen-Smith went into its 2019 outage and is no longer generating power while we focus on replacing the substation in 2019.
- All of the old substation equipment is being removed, and will be replaced with more current equipment
- Recently, the oil had been removed from the old transformers so they can be removed from the deck
- The new transformers will incorporate a newer, environmentally safer oil
- Carmen-Smith will return to operation by late November-early December, 2019
- Seepage from sinkholes below the Carmen Diversion reservoir is entering a deep aquifer
- Carmen Diversion reservoir will not be open for recreational use summer of 2019

Storm Response

Mr. Price offered those present an update and PowerPoint presentation on the February 2019 snowstorm response.

Some salient points of the presentation were:

- There were approximately 20,000 outages during the snowstorm, approximately 2,000 outages were in the upriver community
- At work for EWEB during storm response were: 15 line crews, 10 tree crews, and 300 EWEB staff
- Total storm restoration cost was approximately \$4.3 million
- EWEB is prepared to apply to FEMA for reimbursement to recover a portion (approximately 75%) of that cost
- EWEB was able to restore power to the majority of ratepayers within nine days

An audience member asked why, during the storm and its restoration efforts, the power to their residence would come on, go back off, and come back on several times.

Mr. Price responded that at substations, and along lines, there existed reclosers, which acted as a light switch. When there is a fault at a substation, or along a line, the recloser senses that, and shuts off power until the fault is rectified, at which time the recloser will turn the power back on.

EWEB Products & Services / Emergency Preparedness

Ms. Connors, Mr. Gonzalez, and Mr. Serpa-Munoz offered those present an update and PowerPoint presentation on EWEB Products & Services and Emergency Preparedness.

Some salient points of the presentation were:

- Mr. Serpa-Munoz announced the launching of the Backup Generator Loan Program, which would help ratepayers purchase and install a generator on their property
- The Backup Generator Loan Program would offer two loan options: for ratepayers with a domestic well, the Program would offer a loan of up to \$4,000, and for customers without a domestic well, the Program would offer a loan of up to \$2,000
- The Backup Generator Loan Program was scheduled to go live on April 24, 2019
- EWEB offers standard and income-based rebates, and zero-interest loans, for the weatherization of a ratepayer's home—both single-occupancy, and multi-occupant dwellings
- EWEB offers free weatherization audits to help ratepayers weatherize their homes/apartments
- EWEB's Pledge to Prepare campaign kicked off in January of 2019, and is designed to help EWEB ratepayers and their families prepare for a natural disaster or an emergency by offering a monthly emergency preparedness calendar and checklist
- When reporting outages, EWEB ratepayers should ensure their cellphone number is tied to their EWEB account.

McKenzie River Discovery Center

Mr. Hoyt and Mr. Dersham offered those present a PowerPoint presentation outlining the new McKenzie River Discovery Center, which would be built on the banks of Leaburg Lake.

General Question and Answer Session

An audience member asked how backlogged EWEB was in the completion of after-storm jobs which were still not finished, including downed cables.

Mr. Price asked the audience member for their name and address, and he assured them he would look into it.

An audience member pointed out a lack of updates on EWEB's part during the snowstorm response; they said they called several times, and checked the outage map several times during cleanup efforts, and there were never any updates to be found. They wondered what exactly EWEB was doing to provide updates.

Mr. Price said the outage map was being updated, and it was difficult to give ratepayers a precise date and time as to when EWEB crews would be on site to clean up/restore power.

An audience member expressed concern that during the outage, they had no access to the technology EWEB suggested its ratepayers use to check on updates.

President Carlson offered that EWEB had recently changed their phone system to get rid of the phone backlog; she said changes were made before and during the 2019 snowstorm which resulted in a significant reduction in phone calls because other ratepayers, who were able, were checking constantly on the outage map.

Mr. Lawson added that, in the beginning of a storm cleanup, it was impossible to give detailed information concerning line crews and where they are and where they are going next. He said that as the restoration/cleanup efforts moved forward, it was easier to give more and more detailed, precise information.

An audience member suggested EWEB think more primitively about disaster preparedness. They said that during the snowstorm, they had no access to any news of any kind from the outside world, not even a newspaper.

The audience member said they had a three-pronged concern about the way in which EWEB handled tree trimming around its power cables; they were concerned with: safety, cost, and the aesthetics of McKenzie Highway. Finally, they said undergrounding utility cables would alleviate all the issues they had with tree trimming.

An audience member said it was their understanding that Lane Electric had undergrounded some of its utility infrastructure, and they did not understand why EWEB could not underground also.

Commissioner Helgeson offered that an approximate historical cost of undergrounding utility infrastructure was \$2 million per mile. He said that high cost would undoubtedly have an impact on the utility bills of EWEB ratepayers.

An audience member asked how much EWEB spent per year to maintain its wires.

Mr. Price said, on an annual basis, it was approximately \$11,000 in electrical costs, and approximately \$12,000 per mile for tree trimming.

An audience member offered that, in 2000, they had undergrounded a wire on their property, and it cost around \$2,000 to do so.

Mr. Price said EWEB was in the process of undergrounding the ground wire and removing pole crossarms, and reconfiguring transformers, resulting in only one wire aboveground. He added this would reduce the chances of limbs/trees causing power outages by more than 60%.

An audience member expressed concern about crews from various companies coming through and trimming off tree branches, but leaving the cut branches behind. They wondered if anyone would be coming along to collect them.

Ms. Nuttall said that there were contractors in the area working for Charter/Spectrum, which were responsible for the downed branches. She offered that EWEB had reached out to Charter about this issue after being notified of it by its upriver ratepayers.

An audience member congratulated EWEB on its restoration efforts, but insisted the mass outages could have been prevented by proper tree maintenance, as in cutting down alder and maple trees, instead of the current practice of perpetual trimming. They said EWEB would be well served working with local radio stations to get up to date information out to its upriver ratepayers that may otherwise have little to no technological access during a weather emergency.

The audience member posited that, in order to keep the McKenzie River safe, ODOT should be tapped to un-designate McKenzie Highway as a National Network Highway, to prevent the further transport of dangerous chemicals, oil, and gas along it.

An audience member asserted to those present, that there was a finite number of first responders, as there was a finite number of emergency resources in the upriver community, and that the residents of same should rely on themselves and their neighbors in times of emergency.

An audience member and organic farmer who uses the Leaburg canal for irrigation, expressed concern over the low level of water within the canal. They said there was not even enough water in the bottom of the canal to facilitate pumping. They were also concerned about the low canal levels, as they were dangerous to the fish which move through it.

Mr. Lawson said that EWEB was not free to do any kind of work on the canal without the go-ahead from the Federal Energy Regulatory Commission (FERC).

Mr. Zinniker said that EWEB was working with FERC to get an approval to bring canal levels back to what they were in late October, 2018.

Conclusion

President Carlson thanked all those who attended. She adjourned the meeting at 8:08 p.m.

Assistant Secretary

President

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 E 4th AVENUE
May 7, 2019
5:30 P.M.**

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

Others Present: Frank Lawson, General Manager; Matt Barton, Chief Information Officer; Sue Fahey, Assistant General Manager and Chief Financial Officer; Rene Gonzalez, Customer Solutions Manager; Deborah Hart, Financial Services Manager; Anne Kah, Executive Assistant; Leslie Kidd, Interim General Accounting & Treasury Supervisor; Wally McCullough, Water Engineering Supervisor; Lisa McLaughlin, Environmental Supervisor; Tyler Nice, Systems Engineering Supervisor; Jeannine Parisi, Customer Relationship Manager; Rod Price, Chief Electric Engineering & Operations Officer; Adam Rue, Fiscal Services Supervisor; Mark Zinniker, Generation Engineering Supervisor; Juan Serpa-Munoz, Business Line Manager

President Carlson called the Regular Session to order at 5:31 p.m.

Agenda Check

There were no changes or additions to the agenda.

Items from Commissioners and General Manager

Commissioner Schlossberg announced that she had recently attended the Climate Solutions Town Hall hosted by 350 Eugene. She said that she had also met privately with some of the 350 Eugene members as well.

Vice President Mital said that he and Mr. Lawson had attended the Lane Electric Board meeting in order to establish a Board-level relationship with that body.

Vice President Mital felt there was a need for a Cost of Service Analysis (COSA) for the upriver community, especially after the feedback received by that community at the recent upriver meeting.

Commissioner Brown asked staff to look into the Midgley building. He said that EWEB had invested a lot of money into that building, especially for a heat exchange system, and he wanted to make sure that system had not been destroyed.

Mr. Lawson said staff would give Commissioner Brown more details offline, but he did tell him that it wasn't the responsibility of the City, but the developer/designer.

Commissioner Brown asked for information regarding EWEB's Glenwood property, on which there was a billboard and cell tower, the former of which was currently advertising a cannabis dispensary, and both of which were near an adult video store.

Mr. Lawson said EWEB was exploring a completely different land use plan for the Glenwood property Commissioner Brown was referring to; he said more information on the topic would be forthcoming.

President Carlson offered that she too had attended 350 Eugene's Climate Solutions Town Hall. She said that she had also attended the LCOG Board meeting, at which they discussed the upcoming census. President Carlson also announced she had met with Eugene Mayor Lucy Vinis about some of EWEB's properties in Eugene. She announced that Saturday, May 18, was the grand opening of the Emergency Water Station at Howard Elementary.

Mr. Lawson said he and staff were aware of the issues with the Glenwood property, and that EWEB had been speaking with St. Vincent DePaul, City of Eugene, and Springfield Utility Board (SUB) about possible uses of that property.

He said that a COSA for the upriver community made sense to staff, and they would be looking closely at that in budgeting in the upcoming months.

Mr. Lawson said staff would need Board approval to advertise the upcoming census in the EWEB newsletter.

Finally, he reported that he had recently spent time in Washington D.C. as an Oregon delegate of the Northwest Public Power Association (NWPPA), and the three main topics of discussion were: The FCC overreach that stemmed from a declamatory ruling last fall, hydropower relicensing, and hydro as renewable (including existing hydropower), and preventative funding for wildfires, as it pertains to easements within federal forestlands.

Vice President Mital asked for, and received, Board consensus on whether or not a COSA should be performed for the upriver community.

Commissioner Helgeson cautioned that a lot of judgement calls would need to be made vis-à-vis putting together a rate allocation for the upriver community. He warned against prejudging the outcome of an upriver COSA.

Mr. Lawson said staff recognized that there is a certain artistic nature to cost allocation, and EWEB staff would be certain to publicize and understand what any assumptions are or might be. He added that there may be other information to be gleaned from this process, such as further service reliability in the upriver community.

Education Grant Program Update

Vice President Mital, and Ms. Parisi offered the Board an update and PowerPoint presentation on EWEB's Education Grant Program.

Commissioner Helgeson cautioned against the review of the Grant Program being viewed as a shortcoming by the school districts; he said the districts had been outstanding partners with EWEB over the years of the Education Grant Program. Commissioner Helgeson added that whatever action ended up being taken on the Grant program was more EWEB's responsibility than the school districts.

Commissioner Brown said he was very supportive of the Education Grant Program, but he was concerned about ensuring equity between public schools and private schools.

Commissioner Schlossberg was in support of continuing the Education Grant Program. She said she was certain that EWEB staff had some ideas about future projects the schools could look at in conjunction with the Grant Program.

President Carlson said she was in full support of the Grant program, but was concerned about school districts having the burden of coming back to EWEB about grants every year. She wondered if that could be changed to every five years instead.

Vice President Mital said he had no interest in reducing funding to the Education Grant Program, and that was not what this update was concerned with. He added that the Grant Program was a Board-level decision, and in his tenure on the EWEB Board, he had not reviewed the Education Grant Program.

In answer to President Carlson's question, he said that school districts only made a single proposal to cover the five years, and it was not necessary for them to come before the EWEB Board annually.

Mr. Lawson assured those present that EWEB staff was on board with updates to the Education Grant Program; he felt that it was in the best interest of EWEB, local school districts, and the regional public power community in general, to continue providing educational grant funding to local school districts.

Commissioner Helgeson asked staff if they felt like the current timeline of IGA proposals to be placed on the Consent Calendar in December of 2019 was workable.

Ms. Parisi said she felt they were advancing the timeline a little sooner than originally anticipated, so that she would have a chance to review the proposals before bringing recommendations to the Board at the December meeting.

Business Growth and Retention Rate Credit

Ms. Parisi and Mr. Rue offered the Board a report and Power Point presentation on the Business Growth and Retention (BGR) Rate Credit.

Commissioner Brown asked when the proposed changes to the BGR would be effective.

Ms. Parisi said she would get back to the Board with that exact information, although she did say the rate was already published.

Vice President Mital wondered how ratepayers would be made aware of the BGR credit.

Ms. Parisi said she believed there was plenty of opportunity through EWEB's partnerships with entities such as the City of Eugene, and the Eugene Chamber of Commerce to make ratepayers aware of the changes to the BGR credit.

Public Hearing Business Growth and Retention Rate Credit

President Carlson opened the Public Hearing at 6:16 p.m.

Ann Fifield of Eugene, and representing the City of Eugene, spoke in support of the BGR credit changes. She offered that there were a few incentives to lure businesses into the area, and the EWEB BGR credit program was a meaningful addition to said incentives. Ms. Fifield hoped the Board would approve staff's recommendations for the BGR credit changes.

President Carlson closed the Public Hearing at 6:21 p.m.

Vice President Mital offered that it would be a good idea to instate an automatic review period of the BGR credit every five years. He wondered what the rest of the Board thought.

Commissioner Brown was in favor of the regular review of the BGR credit. He offered that it was not just financial incentives that encouraged businesses to set up shop in the area, but also reliability.

Mr. Lawson said they would not have to wait five years to review the BGR credit. He proposed the state of the BGR program should be an annual agenda item for the Board to review.

Commissioner Schlossberg said she was in favor of the regular review of the BGR program.

President Carlson asked staff to come back before the Board as soon as possible with an example of the BGR credit as it is applied to a local business.

Public Input

Webb Sussman of Eugene said there was a power failure in his region on Saturday, April 20, at approximately 3:15 a.m. Although the power was back on by about 10 a.m.,

the outage did not show up on the outage map on EWEB's website. He also said there was no recording or other information about the outage on EWEB's phone systems. Mr. Sussman was also curious as to why, in that same area, power will fluctuate every day at approximately 4:15 a.m., and 4:15 p.m.

Tana Shepherd of Eugene, and representing the 4J School District, thanked EWEB for the utility's support of local school districts. She said she appreciated the emergency preparedness, and climate mitigation pieces in particular.

Cathy Becken of Eugene, and representing Bethel School District, thanked EWEB for funding energy- and water-related projects for that district. She listed a number of projects being undertaken by students in all grades thanks to Bethel's partnership with EWEB.

Jared Weybright of Eugene, and representing the McKenzie Watershed Council (MWC), thanked EWEB for their commitment to the MWC. He passed out hard copies of the MWC 2018 annual report to the Board.

Commissioner Brown thanked all presenters for their input. To Mr. Sussman, he said that he also had an inquiry in with EWEB staff concerning outage response.

Commissioner Helgeson said he would not be reticent to explore similar educational projects with private schools. He added that he would not be interested, however, in taking money away from public school districts to fund projects at private schools.

Approval of Consent Calendar MINUTES

- 1. a. April 2, 2019 Executive Session**
- b. April 2, 2019 Regular Session**

CONTRACTS

2. Historical Research Associates - for cultural resource studies and technical support for Carmen-Smith. \$250,000.

3. Jacobs - for engineering services Task Order U-1: \$51,307 for the Carmen-Smith upstream fish passage facilities at the Trail Bridge powerhouse and D-1: \$278,778 for the Carmen-Smith downstream fish passage facilities at the Trail Bridge spillway. Resulting cumulative task order total \$330,085.

4. Northbank Civil and Marine, Inc. - for construction services at the Carmen-Smith Project. \$435,460.

5. Oldcastle - for the purchase of precast concrete vault products. \$500,000 over five years.

6. Schnabel Engineering - additional funds for engineering services. \$40,000 (resulting cumulative total \$195,000).

7. Shakespeare Composites - for the purchase of non-conductive substation fencing. \$900,000 over five years.

RESOLUTIONS

8. Resolution No. 1911 - Update to Board Policy Manual.

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

Items Removed from the Consent Calendar

None.

Capital Project Update

Mr. Price, Mr. Barton, Mr. McCullough, and Mr. Nice offered the Board an update and Power Point presentation on Capital Projects.

Commissioner Schlossberg asked if AMI was being rolled out faster than expected, would that equal less cost for AMI implementation in the future.

Mr. Barton answered that it would most likely cost between \$2 and \$4 million more than originally anticipated.

Commissioner Brown asked why money was being spent on connecting EWEB Headquarters with the Roosevelt Operations Center (ROC), if the utility was moving out of the current Headquarters building.

Mr. Barton replied that was not well-stated in the presentation. He assured the Board that no money would be lost when EWEB moved its operations completely out of the current Headquarters location.

Commissioner Brown asked if the Holden Creek complex was becoming a drain on resources; he asked if the cost incurred from the Holden Creek facility was within budget.

Mr. Price responded the original budget covered one set of switch gearing and one transformer at Holden Creek. He said EWEB had added a second set of switch gearing and a second transformer, and the anticipated cost for Holden Creek was approximately \$7.5 million, which was within budget.

Vice President Mital asked for clarification surrounding the Willamette Street pipe replacement project; he wondered why that project was highlighted as a reason the Capital Plan was over budget. Vice President Mital said he did not remember the

Willamette Street pipe replacement project being presented as an addition to the Capital Plan.

Mr. McCullough said the budget in question was set in June of 2018, and EWEB had not planned on undertaking the Willamette Street pipe replacement project this year because they were waiting for City of Eugene projects previously scheduled in that same timeframe. He said that ultimately, EWEB had made the decision to get that project done ahead of the City's planned work in the area.

Vice President Mital offered it was his understanding that items that come through on the Consent Calendar were already budgeted. He said that any time a project is moved up, as in the Willamette Street pipe replacement project, even if said project was brought in under the Consent Calendar, the Board should be made aware of that time change.

Mr. Lawson said there was an ongoing conversation within staff concerning Consent Calendar items, and how the language of those items would be changed to reflect budget assumptions and whether those assumptions are consistent with original budgeting.

Commissioner Helgeson said that he would prefer that items did not come before the Board in a quasi-ad hoc fashion on the Consent Calendar.

Vice President Mital asked if there was some way, such as a metric, to report any changes to project timeline(s).

Mr. Price said staff was working on compiling reports, using historical data, in order to track budget overages, and shifting project timelines more closely.

President Carlson suggested a graph on the reports breaking down the costs of larger projects.

Break

President Carlson called for a break at 7:22 p.m. She resumed the meeting at 7:33 p.m.

Reserve Fund Status and Transfers/Use of Reserves

Ms. Fahey, Ms. Hart, and Ms. Kidd offered the Board a report and Power Point presentation on Reserve Fund Status and Transfers/Use of Reserves.

Commissioner Schlossberg asked for staff recommendations for transfers in a typical year; she asked too if staff considered this a typical year.

Ms. Kidd replied that they did not look that far back, but last year was very similar to this year as far as transfers went.

Ms. Fahey elaborated further that EWEB almost always had transfers to the pension/post retirement fund.

Commissioner Schlossberg asked what would happen to the reimbursement money from FEMA.

Ms. Kidd answered the money used for storm cleanup and restoration came out of working cash.

Vice President Mital opined that EWEB would not make determinations about reserve funds this year, due to the \$3 million reimbursement from FEMA which would not be made available to the utility until 2020.

Vice President Mital expressed concern about the rate stabilization targets for both water and electric; he offered those targets should be adjusted, instead of overestimating them.

Vice President Mital asked if 2018's PERS payment was already completed.

Ms. Fahey said that was correct.

Vice President Mital asked if staff thought there would be benefit from splitting the existing operating reserve funds to create a storm reserve.

Ms. Fahey responded that staff might like to change the name of the operating reserve to operating/storm reserve.

Commissioner Brown asked if there was any "low-hanging fruit" in EWEB's debt that could be taken care of as soon as possible.

Ms. Fahey said that EWEB had restructured its debt a couple of years ago, and EWEB would not look closely at their debt (and possibly restructure it again) until 2022. She said it was a good idea, and staff was already looking into it, but it wouldn't make sense to do it at this time.

Commissioner Helgeson asked when EWEB would get to a point where they realize rates are not calibrated properly.

Ms. Fahey referenced two instances: for the Water Utility, there are unknown factors surrounding a second filtration plant; having adequate cash on hand will prevent harm to the debt service coverage that could occur if EWEB had to issue too much bond debt. For both Utilities, the biggest unknown is the employer incentive fund for PERS; until they finalize the amount EWEB can put in, she believes EWEB should hold those funds. She offered that EWEB would not be able to make 25% of their money anywhere other than PERS.

Commissioner Helgeson asked if staff would be willing to bring back more info to the Board on the 10-year financial plan so that EWEB could have confidence these analyses could persist without compromising rate equations.

Ms. Fahey said of course. She said staff would also bring this back after the Oregon State Legislature finalized PERS rules.

President Carlson spoke in favor of keeping the funding in place for PERS. She asked if the reason funds could be removed from rate stabilization, and improve debt service coverage, was because EWEB would be showing that they are not using debt.

Ms. Kidd answered, in a year where EWEB puts money into the rate stabilization fund, EWEB is saying it does not need to count that income in that particular year because the debt service coverage is high enough without it. In the future, the income can be counted because it was not counted before.

President Carlson announced her support for the transfers mentioned in the presentation, and increasing the target to the \$4 million mark.

Commissioner Schlossberg wondered if staff was tracking variability due to climate concerns and recent weather events.

Ms. Fahey said they were. She said they were looking at trends to see if there would be a financial impact on the utility in the near future, and so far, Ms. Fahey offered, there had been no substantial climate-based impact on the utility's finances.

Commissioner Brown warned against changing the name of any of the funds to include mentions of weather events; he said the Federal Government could withhold emergency funding if they thought EWEB already had it covered (with the "storm" or "disaster relief fund").

President Carlson asked if EWEB was to increase the target of the Reserve Fund, would the utility be in jeopardy of not receiving federal emergency funding.

Ms. Fahey replied no, because the Operating Reserve is a broadly based reserve.

Vice President Mital said he would like EWEB—after the utility cleared up the Carmen-Smith funding, and its PERS liability—to get clear on "how much money is enough money," so that a savvy ratepayer could not look at the exorbitant reserve amounts, and use them to accuse the utility of overcharging them.

Mr. Lawson pointed out that part of being resilient, is being financially resilient, and a large sum in reserve funding ensured that financial resiliency.

Ms. Fahey checked in with the Board to make sure their recommendation was to continue forward with recommendations proposed tonight, at the June Board meeting. She asked if the item could be brought back on the June Consent Calendar.

The Board agreed.

Quarterly Strategic & Operational Report for Q1 2019

Ms. Fahey offered the Board a report and PowerPoint presentation on the Quarterly Strategic & Operational Report for Q1 2019

Commissioner Brown asked for clarification on the list of budget items that could be deferred due to budget pressures. For an example, he cited not buying a new bucket truck. He asked if it was the utility's intention to send EWEB crews out into the field in antiquated equipment.

Ms. Fahey replied that staff would be coming back to the Board with the Capital Plan—including possible deferrals—beginning next month (June 2019), and during the Capital plan review scheduled for the July Board meeting.

Commissioner Brown said that as far as he was concerned any deferrals that would jeopardize the safety of employees were unacceptable.

Mr. Lawson, using the aforementioned bucket truck as example, said EWEB would not defer said equipment, and send crewpersons up on utility poles as an alternative, but the utility could be facing an O & M cost versus a Capital cost in replacing the bucket truck. He offered that whenever EWEB was faced with decisions such as this, the utility would always fall back on its core values of safety, reliability, and affordability.

Commissioner Helgeson asked if staff would work on the concerns such as was raised by Commissioner Brown behind the scenes, and bring back a "balanced equation" in the autumn.

Mr. Lawson said it was staff's intention to always come to the Board when there exists an opportunity to make course corrections. He offered that is usually early enough so the Board plays a major role in said course correction(s), but not so early that the utility would deviate from strategic planning or annual budgets.

Annual Strategic Plan Review

Mr. Lawson offered the Board a review and PowerPoint presentation on the Strategic Plan.

Commissioner Schlossberg felt the Board meeting format was stilted and awkward; she said she would prefer to have a more free-flowing conversation about the Strategic Plan.

President Carlson performed an impromptu poll of the Board to determine if they wanted to hold off on the Strategic Plan discussion until another day, when they could come together more casually to discuss the Strategic Plan.

Commissioner Brown wondered if a change of Strategic Plan discussion time and/or venue would mean there would be major decisions or direction changes at that meeting. He said he was in favor of such a meeting, but he would like to know what the expected outcome of said meeting would be.

President Carlson said she felt the Strategic Plan was an important part of the Board's responsibilities. She asserted that Commissioner Schlossberg should be included in that process.

Mr. Lawson offered this discussion was important for him and staff, as it kept them in the loop as to the Commissioner's thoughts on the matter. He thought it would be unfortunate if wholesale changes were made to the Strategic Plan because it was designed to address the utility's key issues. Finally, he said that the discussion was of such importance, that a different format would be appropriate.

President Carlson asked for and received Board consensus to postpone the Strategic Plan discussion to the near future.

Mr. Lawson offered that it would be helpful for him if, during one-on-one check-ins with Commissioners, the Commissioners let him know their suggestions concerning the Strategic Plan.

Correspondence & Board Agendas

Ms. McLaughlin addressed the Board concerning Walterville canal flow restrictions for the summer of 2019. She said the Board entered a record of decision in late 2017-early 2018 that said in years below average streamflow prediction, EWEB would curtail Walterville generation, so they would exceed 10% more flow in the river than in the canal to help with fish migration. Ms. McLaughlin offered staff looked at data from the Natural Resources Conservation Service (NRCS) in April, and reported those findings to the Board in May. She said the most current data suggests May-September flows would be at approximately 90% of average, and snowpack is down to 71% of median. Ms. McLaughlin said staff suggested curtailment of Walterville canal flows.

Vice President Mital wondered how much advanced notice was needed to make the curtailment decision.

Ms. McLaughlin replied the record of decision states curtailment will begin May 20, 2019.

Vice President Mital offered the record of decision itself should include that the record of decision was based on numbers from a certain date.

Commissioner Brown asked if the record of decision affected both Walterville and Leaburg canals.

Ms. McLaughlin responded it affected Walterville only.

Vice President Mital, speaking of the transportation electrification program update included in correspondence, said it was his understanding that the reason EWEB was incentivizing electric vehicle (EV) owners to procure level 2 chargers, was to move the charging off peak.

Mr. Serpa-Munoz said that since EVs were a relatively new phenomenon, keeping the public in the know about them as much as possible, was key.

President Carlson asked about the cost difference between a web-enabled charger, and a non-web-enabled charger.

Mr. Serpa-Munoz replied a level 2, web-enabled charger was approximately \$580, and a non-web-enabled charger was around \$500.

President Carlson asked how many people who own an electric vehicle already had a level 2 charger.

Mr. Serpa-Munoz said approximately 50% of EV owners had level 2 chargers.

President Carlson wondered if it was a cost issue that prevented most if not all EV owners from having a level 2 charger.

Mr. Serpa-Munoz said in many ways, it was due to the price difference between a level 1 and a level 2 charger.

Board Wrap Up

President Carlson asked if the minutes from the April 2, 2019 Regular Session reflected the recommended changes.

Ms. Kah said they did.

Commissioner Brown asked if the Board would be discussing the MGP site.

Mr. Lawson replied staff would be having a discussion with the Board surrounding the ongoing environmental work.

Adjourn

President Carlson adjourned the Regular Session at 9:17 p.m.

Assistant Secretary

President

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a price agreement with Eco Services Operations Corp for aluminum sulfate to be used at Hayden Bridge Water Filtration Plant.

Board Meeting Date: 6/4/2019

Project Name/Contract #: Price Agreement for Aluminum Sulfate / 1008-2019

Primary Contact: Rod Price Ext. 7122

Contract Amount:

Original Contract Amount: \$540,000 over 5 years

Additional \$ Previously Approved: \$0

Invoices over last approval: \$0

Percentage over last approval: 0%

Amount this Request: \$540,000

Resulting Cumulative Total: \$540,000 (\$108,000 estimated annual average)

Contracting Method:

Method of Solicitation: Direct Negotiation

If applicable, basis for exemption: EWEB Rule 6-0230 Water Filtration Chemicals

Term of Agreement: 5 Years

Option to Renew? Yes

Approval for purchases "as needed" for the life of the Contract Yes No

Proposals/Bids Received (Range): n/a

Selection Basis: EWEB Purchasing Rule 6-0230

Narrative:

Operational Requirement and Alignment with Strategic Plan

Hayden Bridge Operations Staff requires the use of specific chemicals in their mission to provide clean, drinking water to the Community. To fulfill this operational requirement, EWEB's Water Filtration Plant relies on a coagulant compound called "Aluminum Sulfate". Microorganisms present in drinking water include viruses, bacteria, and protozoa. At low levels, these organisms can cause sickness and disease and are generally very difficult to remove from water. The parasites *Giardia* and *Cryptosporidium* are very resistant to most types of disinfection, including chlorination. Water treatment with aluminum sulfate is, however, effective at removing these parasites when used in a chemical treatment process called coagulation.

Contracted Goods or Services

Aluminum sulfate is a chemical compound that is soluble in water and used as a coagulating agent (promoting particle collision by neutralizing charge) in the purification of drinking water and waste water treatment plants. This chemical will be purchased on an "as needed" basis. Procurement data evidences EWEB usage at approximately 280 dry tons, annually.

Prior Contract Activities

The Board approved a contract with Eco Services Operations Corp (nee Solvay, Inc.) in 2014. The prior contract amount was for \$573,000 over five years. Spend on the prior contract is approximately \$417,200. Eco Services Operations Corp has been responsive to all needs and no performance concerns were recorded. Furthermore, no price increases were requested over the duration of the contract.

Purchasing Process

Purchase of Water Filtration Chemicals is exempt from a competitive bidding process per Board Approved EWEB Purchasing Rule 6-0230. EWEB negotiated a contract with Eco Services Operations Corp based on limited

availability of liquid Aluminum Sulfate in the region in the quantities EWEB requires.

Competitive Fair Price (If less than 3 responses received)

Purchasing Staff evaluated the pricing offered by Eco Services Operations Corp and determined that the negotiated pricing is fair based on a review of federal inflation rates of 7.4% published by the Bureau of Labor Statistics (BOLS) over the past 5 years and the BOLS Producers Price Index (PPI) pricing changes for Aluminum Compounds (1.6%). These pricing metrics indicate a 9% price increase over 5 years and is aligned with the price increase requested by Eco Services Operations Corp of 8.8%

ACTION REQUESTED:

Management requests the Board approve a price agreement with Eco Services Operations Corp for aluminum sulfate. Approximately \$105,000.00 was planned for these goods in the Water Production 2019 budget of \$3.3 million. Variances will be managed within the budget process and Board policy.

EWEB Board Consent Calendar Request

For Contract Increases

The Board is being asked to approve additional funds for the Contract with Halvorson Contracting for the Roosevelt Operations Center Consolidation and Interior Remodel Construction Services.

Board Meeting Date: 6/4/2019

Project Name/Contract #: ROC Consolidation Project / Interior Remodel - ITB #045-2018

Primary Contact: Rod Price Ext. 7122

Contract Amount:

Original Contract Amount: \$1,540,000

Additional \$ Previously Approved: \$2,070,000

Invoices over last approval: \$0

Percentage over last approval: 34%

Amount this Request: \$700,000

Resulting Cumulative Total: \$2,770,000

Contracting Method:

Method of Solicitation: Formal ITB

If applicable, basis for exemption: N/A

Term of Agreement: One Time Purchase

Option to Renew? No

Approval for purchases "as needed" for the life of the Contract Yes No

Proposals/Bids Received (Range): 2 responses (\$1,535,500 to \$1,670,000)

Selection Basis: Lowest responsive and responsible bidder

Narrative:

Operational Requirement and Alignment with Strategic Plan

The original contract was based on consolidating most staff to the ROC location, but leaving approximately 75 employees at the downtown location including Customer Services staff. After the initial design and construction contracts were completed and approved, the decision was made to consolidate a much larger group to the ROC, including Customer Service, resulting in significant revisions to the existing floor and office plans to accommodate the additional staff.

The addition of the Customer Services Call Center to the ROC has required significant changes to the HVAC system including installation of a new air handler as well as structural work to support this heavy equipment on the roof. The Call Center will occupy the space formerly slated for the GM Suite and additional work is required to remodel a suitable location for the GM Suite. In addition to these changes there have been several Change Orders issued to address discrepancies between the original electrical and mechanical design/drawings and the as-built conditions.

Contracted Goods or Services

Construction Services

Prior Contract Activities

Halvorson has worked on two other construction projects for EWEB.

Purchasing Process

Staff issued a Formal Invitation to Bid in June, 2018. EWEB received two bids. The lowest responsive and responsible

bid was received from Halvorson Contracting of Creswell, Oregon. Halvorson Contracting has 21 years of experience with similar interior remodeling projects. A bid was also received from Ausland Group of Grants Pass, Oregon. (Other qualified bidders declined to bid due to commitments to larger projects at this time.)

Bidder/Proposer Information

Halvorson Contracting

Bidder/Proposer Location

Eugene, OR

ACTION REQUESTED:

Management requests the Board approve a Contract Amendment with Halvorson Contracting for the Roosevelt Operations Center Consolidation and Interior Remodel Construction Services. Funds for the Change Order work were not budgeted for in 2019 but will be managed within the total Electric Division budget of \$37 Million. Variances will be managed within the budget process and Board policy.

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a new services contract with Trane US Inc. for scheduled maintenance of various brands of chillers at HQ and ROC.

Board Meeting Date: 6/4/2019

Project Name/Contract #: Scheduled Maintenance Program for Chillers (HQ &ROC) / SC 19-2763

Primary Contact: Rod Price Ext. 7122

Contract Amount:

Original Contract Amount: \$231,000 over five years

Additional \$ Previously Approved: \$0

Invoices over last approval: \$0

Percentage over last approval: 0%

Amount this Request: \$231,000 over five years

Resulting Cumulative Total: \$231,000 over five years

Contracting Method:

Method of Solicitation: Direct Negotiation, Sole Source

If applicable, basis for exemption: EWEB Rule 3-0275, Sole Source Exemption

Term of Agreement: 5 Years

Option to Renew? Yes

Approval for purchases "*as needed*" for the life of the Contract Yes No

Proposals/Bids Received (Range): N/A, Direct Negotiation

Selection Basis: Direct Negotiation, Sole Source

Narrative:

Operational Requirement and Alignment with Strategic Plan

EWEB currently has eight (8) chillers located at HQ and ROC (consisting of Trane, Motivar, Multistack and York units). Trane US is the sole provider of maintenance and service on Trane chillers, and is also an authorized service provider for the other three chiller manufacturers. Trane's technical personnel are trained and certified on all of these units for scheduled maintenance and service. The goal in obtaining Trane's maintenance program is to reduce breakdowns, maintain optimum efficiency, and reduce operating costs. Staff would like to purchase a maintenance agreement from Trane for all chillers in hopes of avoiding major overhaul or replacement.

Contracted Goods or Services

Scheduled maintenance of chillers (HVAC), and repairs when necessary.

Prior Contract Activities

Previous five year contracts have been negotiated with Trane US.

Purchasing Process

EWEB has negotiated an Agreement with Trane US for HVAC maintenance and repairs. Terms of the Agreement include five year fixed pricing, comprehensive inspections and maintenance, and discounted labor rates for additional repairs, as needed.

Bidder/Proposer Information

Trane U.S. Inc.

Bidder/Proposer Location

Portland, OR

Competitive Fair Price (If less than 3 responses received)

Trane US Inc. is the sole source authorized warranty agent for the Trane Company in Trane Oregon's territory. Their ability to inspect and service equipment from the other chiller manufacturers provides a cost savings by eliminating the need for multiple contracts, and scheduling multiple service appointments.

ACTION REQUESTED:

Management requests the Board approve a services contract with Trane US Inc. for scheduled maintenance of chillers at HQ and ROC. Approximately \$50,000 annually was planned for these goods or services in the Electric Division 2019 budget of \$37 million. Variances will be managed within the budget process and Board policy.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Carlson, Mital, Helgeson, Schlossberg and Brown
FROM: Susan Ackerman, Chief Energy Officer; Mike McCann, Generation Manager;
Patty Boyle, Principal Project Manager
DATE: June 4, 2019
SUBJECT: Potential Disposal of EWEB's Interest in the Foote Creek I Wind Project
OBJECTIVE: Consent Calendar – Action on Resolution #1908

Issue

Resolution #1908 is scheduled for the June 4th Board Meeting seeking authorization for the General Manager enter into binding agreements to dispose of EWEB's ownership position in the Foote Creek I Wind Plant to PacifiCorp and related Power Purchase Agreement with the Bonneville Power Administration.

Background

In early October, staff provided a synopsis of the proposed transaction, which was subsequently discussed at the November 6, 2018 and December 4, 2018 executive sessions. Based on the terms of the transaction, EWEB would be better off to sell the plant now under the current proposal than to retain ownership.

At the June 2018 Board meeting, Staff presented the 2018 update to the 2011 IERP. As a part of that update, the analysis of generation supply concluded that on an annual basis, EWEB has more than sufficient resources to serve its customers' energy requirements, even under drought conditions, for the next 10 years.

The Foote Creek I project, located near Laramie, Wyoming, has 68 turbines of which 62 are currently operating. Each turbine is capable of producing 0.6 MW. EWEB owns a 21.21% interest in the project, which began commercial operation in April 1999. PacifiCorp owns the balance of the project and is interested in repowering the site for its own purposes. Of the total output share that EWEB owns, 26% has been sold to the Bonneville Power Administration under a 25-year power purchase agreement that expires in 2024.

Discussion

The Purchase and Sale Agreement that establishes the binding terms of the agreement are well aligned with the Indicative Offer Agreement executed in December. The termination of the Power Sale Agreement has also been completed. There are certain conditions to closing the transaction that are expected to be resolved in early summer.

TBL Assessment

As described above, from an economic perspective, this transaction is an improvement to EWEB's ratepayers over retaining ownership of the project. From the social and environmental perspective, the sale of Foote Creek I will positively impact EWEB's overall power supply portfolio, which aligns with EWEB's strategic priority to better synchronize resources used to serve customer load. EWEB's power portfolio will have slightly less wind generation but the plant will likely be rebuilt with modern equipment. Outside of the process to repower, this transaction has no impacts to the climate other than to help ensure the ongoing production of wind power at the Foote Creek I site.

Recommendation

Management recommends approval of Resolution #1908 authorizing the General Manager to enter into the Purchase and Sale Agreement with PacifiCorp and to terminate the Power Sales Agreement with the Bonneville Power Administration.

Requested Board Action

Approval of Resolution #1908.

**RESOLUTION 1908
JUNE 2019**

**RESOLUTION AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A
PURCHASE AND SALE AGREEMENT AND TERMINATION OF A POWER
PURCHASE AGREEMENT FOR FOOTE CREEK WIND I**

WHEREAS, EWEB holds a 21.21% ownership interest in the physical assets of the Wyoming Windpower Energy Facility, a.k.a., the Foote Creek I Project, in Carbon County, Wyoming, in the name of the City of Eugene, Oregon, acting by and through the Eugene Water & Electric Board.

WHEREAS, per the 2018 IERP update the Project is not needed to serve load;

WHEREAS, the Board declared the Project surplus in August 2017 and the City of Eugene declined to pursue any interest in the Project

WHEREAS, under the terms of the potential transaction EWEB's financial position regarding the project is expected to improve significantly,

WHEREAS, The EWEB Board of Commissioners discussed the potential transaction during executive sessions on November 4, 2018, December 4, 2018 and June 4, 2019.

NOW, THEREFORE, BE IT RESOLVED by the Eugene Water & Electric Board that:

- (i) The Board does hereby authorize the General Manager to enter into a Purchas and Sale Agreement for the project with PacifiCorp and terminate the Power Purchase Agreement with the Bonneville Power Authority consistent with the terms discussed during the executive sessions referenced above.

Adopted at a meeting of the Eugene Water & Electric Board on June 4, 2019.

THE CITY OF EUGENE, OREGON
Acting by and through the
EUGENE WATER & ELECTRIC BOARD

President

I, ANNE M. KAH the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its June 4, 2019 Regular Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Carlson, Mital, Helgeson, Schlossberg and Brown
FROM: Sue Fahey, Assistant General Manager/CFO; Deborah Hart, Financial Services Manager; and Leslie Kidd, Interim General Accounting Supervisor
DATE: May 24, 2019
SUBJECT: Reserve Fund Status and Transfers/Use of Reserves
OBJECTIVE: Board Action

Issue

Annually the Board considers how to allocate funds as of December 31st among reserve and designated fund accounts after the independent auditors have issued their opinion on the financial audit. This memo provides recommendations for transfers, and a change to the Electric Operating Reserve target, based on EWEB's strategic plans, financial policies, and the Electric and Water Utilities' financial conditions.

Background

On an annual basis, staff prepares a summary of the year-end reserves and funds balances, compares the balances to the Board Financial Policy targets, and recommends transfers and/or use of funds above target. Additionally, staff reviews targets to ensure that they are reasonable to cover the intended risks. For both the Electric and Water Utilities, cash balances at December 31, 2018 were higher than target due to budgeted and planned-for reserve deposits, as well as positive budget variances. At the May 7, 2019 meeting, the Board discussed and provided direction on the schedules of reserves for each utility and recommendations for transfers, as well as a change to the Electric Operating Reserve target. Based on Board feedback, Management's recommendations are the same as those discussed at the May meeting.

Discussion

Since the creation of the 2019 budget, there have been several emergent issues that have impacted, or have the potential to impact, both the Electric and Water Utilities' cash position and financial flexibility.

Electric Utility

- Storm Costs - \$4.3 million: The February snowstorm resulted in restoration costs of \$4.3 million. Assuming President Trump signs the disaster declaration, a Federal Emergency Management Agency (FEMA) grant will reimburse 75% of eligible costs. Based on prior FEMA grant timing, reimbursement is not expected this year.
- Purchased Power Costs - \$3 million: In the first quarter, purchased power costs were significantly higher than budgeted. Regional power supplies were low due to limited BPA hydro generation as a result of reduced stream flows, renewable resource unavailability,

scheduled regional transmission outages, and the unbudgeted shutdown of some EWEB generating units. The reduced regional power supply coincided with increased consumption due to colder than average temperatures and required EWEB to purchase power at prices significantly above budget. While the 2019 budget protects against power activity volatility by assuming \$3 million less than expected revenue, the net impact of the first quarter volatility is forecasted to result in an additional \$3 million unfavorable variance at year end.

- Emergent capital work - \$3 million: is taking shape for the Electric Utility. These are projects which were not anticipated fully when the 2019 budget was formed.

Electric supply resource decisions are a strategic priority and are being evaluated as part of the Integrated Electric Resource Plan (IERP) work, including EWEB-owned generation facilities. Depending on the outcome of the Board approved plan, a future decommissioning fund may be prudent. IERP approval is scheduled for late 2021, and Finance staff will work with Planning and Generation to determine whether to recommend the creation of a decommissioning fund.

Water Utility

- Emergent capital work - \$2.5 million: is taking shape for the Water Utility. These are projects which were not anticipated fully when the 2019 budget was formed.

Both Utilities

- PERS Employer Incentive Fund - Amount to be Determined: The PERS Board has not finalized the rules that establish the amount of an employer's lump sum deposit that will qualify for up to 25% matching contributions. Rules are expected to be finalized later this year. Under the current interpretation of the bill, EWEB may be eligible for a match on contributions up to \$22 million. PERS deposits are split 76% Electric and 24% Water.

The above emergent work may result in costs above Board approved budgets. Management is monitoring budgets closely to review alignment with the strategic plan and determine if spending can, and should, be adjusted to reduce potential overages. If necessary, budget amendments will be submitted for the Board's review.

Given the Electric Utility's increased first quarter costs and the uncertainty around the timing and amounts of both Utilities' potential uses for cash, Management recommends leaving excess funds in working cash as noted below. Management is also recommending an increase to the Electric Utility's Operating Reserve target.

Water Utility

A) Working Cash

Management recommends transferring \$2.5 million in excess of target to the Rate Stabilization Fund, as discussed below, and \$147,000, in accordance with financial policies, to the Pension & Post-Retirement Medical Fund. This would leave Working Cash at \$4.7 million above target to cover emergent capital work, as discussed below with the Capital Improvement Reserve, and flexibility for a contribution to PERS pending final legislation and PERS rules.

B) Self-Insurance Reserve

The Self-Insurance Reserve is to fund third-party claims against EWEB. EWEB self-insures the

first \$2 million for most liability claims and splits the reserve between both utilities. Target funding is \$280,000 for the Water Utility. Excess liability insurance protects EWEB after the self-insurance retention is exhausted.

Management is currently considering self-insuring for dental benefits. If implemented, that may require an increase in this reserve which would be brought to the Board for approval in the future.

C) Capital Improvement Reserve

At December 31, 2018, this fund was approximately \$3.3 million over target and included \$2.5 million previously designated for 2019 and 2020 meter upgrades. As noted above, the Water Utility has \$2.5 million of emergent work, which will likely put pressure on its capital budget. The budget is being closely monitored by both Water and Finance staff, and Management is not recommending a transfer at this time. Authorization to spend in excess of budget would require a Board approved budget amendment.

D) Rate Stabilization Fund

The Rate Stabilization Fund is intended to enhance the Utility's agility during financial challenges and minimize or smooth rate impacts to customers. Funds will be used for one-time expenses, emergent items and/or to reduce future borrowing depending on future Board approvals. Bond covenants allow withdrawals from this fund to be included as income for the Debt Service Coverage Ratio (DSC) calculation which is an important metric to bond rating agencies. Conversely, deposits to the fund reduce income for the DSC calculation. The Water Utility's 2018 DSC ratio was well above Board target, allowing flexibility to transfer funds. With potential bond issuances for a second filtration plant, rate stabilization funds will assist in strategically managing DSC, and Management recommends adding \$2.5 million to this fund.

E) Pension & Post-Retirement Medical Fund

PERS costs during 2018 were lower than budgeted by \$147,000. Board Financial Policies require the variance to be transferred to this fund.

Electric Utility

A) Working Cash

Management recommends transferring a total of \$2.3 million in excess of target to the Operating Reserve and the Pension & Post-Retirement Medical Fund. Working cash would remain \$9.9 million over target to mitigate unbudgeted purchased power and storm costs; to cover emergent capital work as discussed below with the Capital Improvement Reserve; and to provide flexibility for a contribution to PERS pending final legislation and PERS rules.

B) Operating Reserve

Operating reserves are used to smooth out the effects of revenue shortfalls or unforeseen expenses not covered by the Power Reserve. The February storm cost \$4.3 million. The 2016 storm was also in excess of \$4.0 million. Given the uncertainty of timing and unknown future availability of FEMA funds, Management recommends transferring \$2.0 million in Working Cash to the Operating Reserve and raising the target to \$4.0 million. A redline policy with the recommended change is attached.

C) Self-Insurance Reserve

Like the Water Utility, the Electric Utility has a self-insurance fund, with target funding of \$1.7

million. Should EWEB choose to self-insure dental benefits, any necessary increase in this reserve would be brought to the Board for consideration at that time.

D) Power Reserve

The level of funding for this reserve is evaluated annually. In determining sufficiency of this reserve, risks from prices, load, resources, and credit exposure are considered. Based on the analysis, Management is not recommending a change to the Power Reserve at this time.

E) Capital Improvement Reserve

At December 31, 2018, this fund was \$3.7 million over target including \$2.2 million previously designated for 2019 meter upgrades. As noted above, the Electric Utility has approximately \$3 million of emergent work, which will likely put pressure on its capital budget. The budget is being closely monitored by both Electric and Finance staff. Authorization to spend in excess of budget would require a Board approved budget amendment, and Management is not recommending a transfer at this time.

F) Rate Stabilization Fund

Management is not recommending any transfers affecting this fund.

G) Pension & Post-Retirement Medical Fund

PERS costs were lower than budgeted by \$325,000. Board Financial Policies require the variance to be transferred to this fund.

Attachments 1 and 2 provide detail on reserve balances and recommended transfers for the Water and Electric Utilities, respectively.

Recommendation and Requested Board Action

Management is requesting approval of Resolution No. 1912, authorizing cash transfers. Management is also recommending approval of Resolution No. 1913, updating the Financial Policies that support the Board's financial targets, strategies and reporting.

Attachment 1 – Water Utility Schedule of Cash Reserves

Attachment 2 – Electric Utility Schedule of Cash Reserves

Attachment 3 – Redline Financial Policy

ATTACHMENT 1

Water Utility Schedule of Cash Reserves

| | FINANCIAL POLICY REFERENCE | TARGET | BALANCE ¹ 12/31/2018 | RECOMMENDED USE OF CASH | BALANCE AFTER |
|--|-------------------------------|---------------------|------------------------------------|----------------------------|----------------------|
| Working Cash | Rate Sufficiency | \$ 3,400,000 | \$ 10,744,817 | \$ (2,647,000) | \$ 8,097,817 |
| DESIGNATED FUNDS | | | | | |
| Operating Reserve | Rate Stability | \$1,000,000 | \$1,012,184 | \$ - | \$ 1,012,184 |
| Self-Insurance Reserve | Rate Stability | 280,000 | 288,712 | - | 288,712 |
| Capital Improvement Reserve | Capital Reserve | 7,000,000 | 10,283,765 | - | 10,283,765 |
| Rate Stabilization Fund | Rate Stability | 1,000,000 | 1,307,263 | 2,500,000 | 3,807,263 |
| Water Stewardship Fund - Septic Repairs | | - | 82,114 | - | 82,114 |
| Business Growth & Retention Loan Fund | | - | 209,546 | - | 209,546 |
| Alternate Water Supply Fund | | - | 6,377,023 | - | 6,377,023 |
| Pension & Post Retirement Medical Fund | | - | - | 147,000 | 147,000 |
| DESIGNATED FUNDS TOTAL | | \$ 9,280,000 | \$ 19,560,607 | \$ 2,647,000 | \$ 22,207,607 |
| CASH & DESIGNATED FUNDS TOTAL | | \$12,680,000 | \$30,305,424 | \$ - | \$ 30,305,424 |

1. The Capital Improvement Reserve includes \$2.5 million designated in 2018 for meter installations in 2019 and 2020.

ATTACHMENT 2

Electric Utility Schedule of Cash Reserves

| | FINANCIAL POLICY REFERENCE | TARGET ¹ | BALANCE ² 12/31/2018 | RECOMMENDED USE OF CASH | BALANCE AFTER |
|--|-------------------------------|----------------------|------------------------------------|----------------------------|-----------------------|
| Working Cash | Rate Sufficiency | \$ 36,000,000 | \$ 48,218,813 | \$ (2,325,000) | \$ 45,893,813 |
| DESIGNATED FUNDS | | | | | |
| Operating Reserve | Rate Stability | \$ 2,000,000 | \$ 2,082,704 | \$ 2,000,000 | \$ 4,082,704 |
| Self-Insurance Reserve | Rate Stability | 1,720,000 | 1,773,975 | - | 1,773,975 |
| Power Reserve | Rate Stability | 17,000,000 | 17,000,000 | - | 17,000,000 |
| Capital Improvement Reserve | Capital Reserve | 22,000,000 | 25,692,599 | - | 25,692,599 |
| Rate Stabilization Fund | Rate Stability | 5,000,000 | 37,048,759 | - | 37,048,759 |
| Business Growth & Retention Loan Fund | | - | 1,993,249 | - | 1,993,249 |
| Pension & Post Retirement Medical Fund | | - | - | 325,000 | 325,000 |
| DESIGNATED FUNDS TOTAL | | \$ 47,720,000 | \$ 85,591,285 | \$ 2,325,000 | \$ 87,916,285 |
| CASH & DESIGNATED FUNDS TOTAL | | \$ 83,720,000 | \$ 133,810,099 | \$ - | \$ 133,810,099 |

1. Management has proposed an increase in the Operating Reserve target from \$2 million to \$4 million.
2. The Capital Improvement Reserve includes \$2.2 million designated in 2018 for meter installations in 2019.
The Rate Stabilization Fund includes \$21.5 million previously designated to reduce future borrowings.



Eugene Water & Electric Board

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Financial Policies

TABLE OF CONTENTS

- 1.0 RESERVE POLICIES..... 3**
 - 1.1 Rate Sufficiency Policy..... 3**
 - 1.2 Rate Stability Policy..... 4**
 - 1.3 Capital Improvement Funding and Reserve Policy..... 5**
 - 1.4 Retirement Benefits Funding Policy..... 7**
 - 1.5 Replenishment of Reserves..... 8**
- 2.0 FINANCIAL MANAGEMENT POLICIES..... 8**
 - 2.1 Cost Management Policy..... 8**
 - 2.2 Budget Policy 9**
 - 2.3 Debt Policy 10**
 - 2.4 Billing and Collection Policy..... 11**
- 3.0 FINANCIAL RISK MANAGEMENT POLICIES 12**
 - 3.1 Financial Risk Management Policy 12**
 - 3.2 Power Risk Management Policy 12**
 - 3.3 Investment Policy 13**
- 4.0 ACCOUNTING POLICIES..... 13**
 - 4.1 Financial Entity Policy 13**
 - 4.2 Capitalization Policy 14**
- 5.0 Appendix A: Cash and Reserve Targets Summary 16**

EWEB Financial Policies

1.0 RESERVE POLICIES

1.1 Rate Sufficiency Policy

Rates and charges will be adequate to provide revenues sufficient to maintain a degree of financial soundness over and above requirements for compliance with existing bond covenants. Performance standards are based on review with EWEB's Financial Advisor regarding financial market conditions and rating agency considerations, as well as industry benchmarks for comparable utilities. *(BP SD6)*

Discussion:

EWEB bond resolutions contain a rate sufficiency covenant that is a standard provision in municipal utility bond contracts. The covenant requires that rates and charges be set at a level that is high enough to pay the costs of operating and maintaining the utilities. This rate sufficiency policy is a higher standard than that required by the standard rate covenant contained in the bond resolutions. The policy is intended to supplement the weaker financial performance standards set out as minimum requirements in the bond resolutions. The financial standard implied by this policy is that rates and charges will be maintained at a level consistent with an average credit rating of A for the Electric Utility and AA rating for the Water Utility.

Credit rating agencies evaluate creditworthiness by assessing an organization's ability to adequately address issues of strategic importance. Credit analysis includes the track record of performance as reflected in widely used ratios and statistics. These measurements are compared with other similarly situated utilities to determine relative financial strength within the industry. An example of such a statistic is "debt service coverage ratio" which shows how many times debt service can be paid from net revenues. Minimum legal debt service coverage requirements are 1.35 times debt service for issuing new debt for the Electric Utility and 1.25 times debt service for the Water Utility. EWEB's long term target for debt service coverage ratio for the Electric Utility is 1.75 to 2.0 and the Water Utility is 2.00 to 2.50 times debt service.

| | Performance Standard |
|---------------------------|---------------------------------|
| Electric Utility | |
| Working Capital Days Cash | >150 days |
| Current Ratio | 3.250x |
| Debt Service Coverage | 1.75 to 2.0x |
| Water Utility | |
| Working Capital Days Cash | >150 days |
| Current Ratio | 3.250x |
| Debt Service Coverage | 2.0 to 2.50 |

EWEB Financial Policies

Working cash balances are based on the amount of cash needed to pay for ongoing operational expenditures and maintain an amount of working capital to support the day's cash ratio sufficient to maintain higher than average credit rating. The target for working cash is \$36 million and \$3.4 million for the Electric and Water Utility, respectively.

1.2 Rate Stability Policy

Certain funds will be held in reserve for the purpose of mitigating the customer rate impact of unanticipated events. *(BP SD6)*

Discussion:

It is the nature of budgets, financial projections, and other statements about the future to contain uncertainty. The intent of this policy is to set aside funds or other financial instruments to smooth out the financial impact on customers when assumptions about the future do not comport with actual events as they transpire.

Power Reserve

The Electric Utility owns or has contracted for power resources that exceed the amounts needed to serve customer load and is exposed to certain power portfolio and retail load risks that can have significant adverse effects on financial stability. Those risks include, generation, power price, retail load, and credit risks. EWEB has established a power reserve that is designed to provide funds sufficient to cover operational costs in the event of adverse fluctuations in these risks. The funds needed to mitigate financial impacts of fluctuations are estimated annually based upon the measurement criteria specific to each of the major risks. Generation risk is calculated by measuring the impact to revenues if water available for generation is at Firm levels which is approximately 70% of median. Power price risk is calculated by assuming prices decrease 30% from budget expectations, and retail load risk is calculated assuming a 4% decrease from budgeted load. Credit risk is a flat dollar amount that represents approximately 50% of counterparty exposure. The combined amounts are intended to cover operational cost for one calendar year and prevent sudden and significant impacts to customer rates. The Board of Commissioners may elect to supplement the calculated amounts at their discretion.

Operating Reserves

The Water and Electric Operating Reserve accounts are used in similar fashion to smooth out the effects of revenue shortfalls or unforeseen expenses.

EWEB Financial Policies

Self-Insurance Reserve

The Self Insurance Reserve is to fund the out-of-pocket liability costs of third party claims. The target for the Self-Insurance Reserve combined for both the Electric and Water Utilities totals \$2 million, which is based on the amount EWEB is self-insured. Excess liability insurance protects EWEB after the self-insurance retention is exhausted.

Rate Stabilization Funds

The Water and Electric Rate Stabilization Fund accounts are used to enhance the Utilities' agility during financial challenges such as unanticipated costs or reduced revenues, and minimize or smooth rate impacts to customers. This fund is intended to manage one-time events, emergent items or to reduce borrowing requirements. Allocations are made at Board discretion. Targets for the rate stabilization funds approximate a 3% rate impact for each Utility.

Electric Utility

| | Target |
|-------------------------|-----------------------------------|
| Power Reserve | \$17,000,000 |
| Operating Reserve | \$ 2,000,000 4,000,000 |
| Self-Insurance Reserve | \$ 1,720,000 |
| Rate Stabilization Fund | \$ 5,000,000 |

Water Utility

| | |
|-------------------------|-------------|
| Operating Reserve | \$1,000,000 |
| Self-Insurance Reserve | \$ 280,000 |
| Rate Stabilization Fund | \$1,000,000 |

1.3 Capital Improvement Funding and Reserve Policy

Utility plant assets will be maintained to provide reliable, high quality service, including such capital additions as may be necessary to support growth in loads and customer base, and associated infrastructure. (BP SD6)

Discussion:

EWEB's approach to financing capital assets uses a combination of current rate revenue, capital improvement reserves, contributions in aid of construction, system development charges, and debt financing.

Capital projects are classified as Type 1, Type 2, or Type 3. Each year, an amount is budgeted from rate revenues to provide ongoing funding for a base level of capital additions and replacements. The base level amount is determined through an

EWEB Financial Policies

evaluation of the age and condition of basic capital infrastructure of the Electric and the Water Utilities taking into consideration capital reserve levels. This amount represents what is needed annually to maintain the desired level of service reliability on a long-term basis. These are considered Type 1 capital projects; projects that are ongoing capital infrastructure replacements.

Type 2 capital projects are large rebuilding or expansion projects in excess of \$1 million that occur periodically and may be funded with rates or bonds. Type 3 capital projects are major strategic projects and are funded with bonds and/or reserves.

Capital funding requirements are determined by a Capital Improvement Plan (CIP). The CIP is a ten-year projection of capital needs that is updated annually and approved by the Board. The CIP sets out, for each utility, the anticipated need for utility and support infrastructure to meet customer demands and system reliability standards. Identified in the CIP is an indication of the proportion of funding from 1) rates, 2) accumulated reserves, and 3) debt proceeds.

The target amount for the Electric and Water Utility Capital Improvement Reserve is based on one year's depreciation expense adjusted for service reliability needs. In general, reinvestment in capital should be at the same rate as depreciation.

A system over 65% depreciated should be watched for aging.

Rate of return measures the ability to pay current and future infrastructure costs. Rates outside the performance standard should be evaluated to ensure current customers pay their share for the use of infrastructure. A higher rate of return signals current customers may be paying more towards future infrastructure costs, while a lower rate of return signals current customers may not be paying enough for current costs.

The Targets are:

Electric Utility: \$22 million

Water Utility: \$7 million

Performance Standard – Electric and Water:

Age of System < 60%

Rate of Return 5 - 7%

EWEB Financial Policies

1.4 Retirement Benefits Funding Policy

All long-term liabilities that must be either disclosed and/or accounted for in the financial statements will be funded according to a rational and consistent plan that targets full funding of the liabilities over a specified period of time. *(BP SD6)*

Discussion:

Unfunded retirement liabilities result from pension and other post-employment benefit programs. The primary financial strategy with these plans is to pay the actuarially determined annual required contribution, which pays for the current costs and unfunded liabilities over a designated period of years. However, if the funded status of the plans reach 70% funded status or less, an assessment of accelerated funding will be performed. When the funding status of the plan is at or below 70% of funded status, the plan is financially unstable as the plan is no longer self-funding based on actuarially determined contribution rates. Below is a summary of the three plans.

1) **Pension Plan** - The Oregon PERS (OPERS) continues to experience volatility in regard to the rates employers pay to the state pension plan for benefits. EWEB pays the actuarially determined rate. In years where there is a difference between the PERS ordered contribution rate and the amount provided for in the annual budget, the excess amounts will be set aside in a Board reserve for reduction of unfunded retirement liabilities in the future.

2) **Other Post-Employment Benefits** – EWEB created a trust in November 2007 as a means through which assets are accumulated and benefits are paid for other post-employment benefits (OPEB), other than pension benefits. Eligible retirees and beneficiaries of EWEB receive health care and life insurance benefits.

3) **Supplemental Retirement Plan** – EWEB created a pension plan in 1968 to provide supplemental retirement benefits to employees. The objective of the plan was to provide a benefit on retirement, which together with benefit from the OPERS, will provide 1.67% of the highest 36-month average salary for each year of service. The plan was closed in 1988. EWEB contributes actuarially determined amounts to a designated pension fund that pays the annual cost for this closed plan. Due to the nature of the closed plan, it is more cost effective to pay-as-you go, than set up a trust.

EWEB Financial Policies

1.5 Replenishment of Reserves

If a reserve balance falls below Board targets, the order of precedence and minimum length of time to replenish will be determined using the following criteria:

Order of Precedence: 1 – Rate Sufficiency Policy
2 – Capital Reserve Policy
3 – Rate Stability Policy

Length of time to replenish:

| | Electric Utility | Water Utility |
|--------------|---|--|
| One year | <\$2 million below target | < \$500,000 below target |
| Three years | >\$2 million and < \$5 million below target | > \$500,000 and < \$1 million below target |
| Five years * | > \$5 million below target | > \$1 million below target |

*Should a reserve fall drastically below target, a determination will be made whether cash should be secured by other means (i.e., Letter of Credit or bond issuance).

If a reserve falls below target, staff will propose a replenishment strategy to the Board for approval during the annual reserve transfer process or sooner if deemed necessary.

2.0 FINANCIAL MANAGEMENT POLICIES

2.1 Cost Management Policy

EWEB will take cost management actions that provide for authorized budgets and include actions to maintain expenditures within authorized budget levels. *(BP SD6)*

Discussion:

The annual budget is the primary tool for setting rates and controlling costs within a given year. For accounting and budgetary purposes, the budgets are broken into operating and capital components for each Utility. The operating budget of the Electric Utility further separates power and related costs as distinct from non-power operating costs. The reason for this is that the cost of power and related items generally varies with changes in sales volume. Non-power items are composed of mostly labor, services and materials that are less susceptible to variations in sales volumes.

The annual budgets are the maximum level of expenditure authorized by the Board. Conditions may arise during any given budget year that cause projected expenditures for either Utility's operations & maintenance and/or capital budgets to be higher than those approved by the Board. If any of the specific conditions occur as defined in Board Policy EL1 - Financial Controls, Management is required to propose a budget amendment.

EWEB Financial Policies

The budget amendment proposal must state the causes of the projected non-budgeted expenditures, the offsetting actions taken to mitigate the increase, and the source of any additional funding requested. The Board will consider each proposed budget amendment and either approve or disapprove. In the event of disapproval, the General Manager will exercise established authorities in taking actions necessary to curtail spending within authorized levels.

To monitor the budget, cost management procedures involve the monthly review of variances from the authorized budget by supervisors and managers. The review of power-related items is performed by the Power Risk Management Committee and is separate from non-power items. Actual and projected capital and other non-power expenditures are monitored by the Leadership Team. With the assistance of financial staff, the Leadership Team determines what degree unfavorable variances in one department can be offset by favorable variances in another. In the event of a shortfall, the Leadership Team will determine whether to bring a budget amendment forward or curtail other activities to remain within authorized spending levels.

2.2 Budget Policy

The authorized annual spending plan will be balanced such that resources meet or exceed requirements in each fiscal year. *(BP SD6)*

Discussion:

Long-term financial stability can be assured only if, in each year, the annual spending plan is fully funded and results in a balanced budget. The budget is considered balanced when the following three conditions are met:

- 1) Expected annual operating revenues and use of reserves for one-time expenses equal or exceed anticipated operation and maintenance expenses.
- 2) Budgeted capital outlays are funded in full from a combination of net operating revenues, capital improvement reserves, accumulated system development charges, and debt proceeds.
- 3) Pro forma presentation of debt service coverage shows a ratio at or above the Board established performance standard (Rate Sufficiency Policy 1.1).

EWEB Financial Policies

2.3 Debt Policy

Funds to acquire major capital improvements will be provided in accordance with the estimated useful lives of such assets. (BP SD6)

Discussion:

Prudent financial practice dictates the use of debt financing only in those cases where public policy, ratepayer equity, and economic efficiency favor the use of debt over current financing. In EWEB's case, debt is considered an appropriate funding option for Type 2 and Type 3 capital projects. (See the discussion under Capital Reserve Policy 1.3.) Debt service payments shall not exceed the useful life of the asset and should be structured to mirror the stream of benefits from the facility or project being funded.

Long-term debt financing will be considered for those major system improvements that meet two general criteria:

- The asset has a relatively long useful economic life (at least 10 years);
- The asset is a significant item included within the capital budget portion of the electric and/or water project plans.

However, if debt levels are too high the utility could become over-leveraged relative to its asset base and revenue producing capability. In all cases, management will balance the benefit of long term financing with the overall health of the organization as determined by appropriate measures of financial leverage.

Performance standards, are based on review with EWEB's Financial Advisor regarding financial market conditions and rating agency considerations, as well as industry benchmarks for comparable utilities.

| | Performance Standard |
|-------------------------|---------------------------------|
| Electric Utility | |
| Debt as a % of NBV | 60% or less |
| Water Utility | |
| Debt as a % of NBV | 60% or less |

EWEB Financial Policies

2.4 Billing and Collection Policy

Services will be billed in an accurate and timely manner and collected with fair and equitable consideration for all customers. (BP SD6)

Discussion:

Sound business and collection practices will be applied uniformly to all customers. EWEB maintains a customer credit rating system to provide fair and equitable consideration in deposit and collection practices for all customers. Decisions to extend payment terms for anyone are based on the customer's good faith, ability to pay, and payment history.

EWEB provides cost-effective customer assistance programs (e.g., Budget Payment Plan, Customer Care, payment extension options, dispute/appeals recourse, etc.). EWEB will also cooperate with customers participating in social service programs such as the Limited Income Home Energy Assistance Program (LIHEAP) and other resources available to customers.

EWEB makes every reasonable and cost-effective attempt to secure payment of all accounts receivable. In accordance with bond covenants, products and services are not provided free of charge. Bills are issued based upon actual use of products and services, except that billings are estimated when EWEB service meters are inaccessible, or other considerations necessitate issuing estimated billings. Following an estimated reading, charges are adjusted to record and reflect actual consumption.

EWEB employees make a concerted effort to inform customers about the options available to them regarding payment for and controlled use of EWEB products and services as situations may deem advisable. In addition, EWEB has built strong partnerships with community social service organizations that create preventive strategies for avoiding disconnection of services.

Performance standards are as follows:

| | <u>Performance Standard</u> |
|-----------------------------------|------------------------------------|
| Write-offs as a % of Rate Revenue | .5% or less |

EWEB Financial Policies

3.0 FINANCIAL RISK MANAGEMENT POLICIES

3.1 Financial Risk Management Policy

Financial risks associated with EWEB operations will be proactively managed in a cost-effective and efficient manner consistent with prudent utility practice. *(BP SD6)*

Discussion:

The objective of financial risk management is ongoing identification and mitigation of the risk of financial losses including power risk, property damage and other insurable risks, vendor contract development and administration, and risks associated with administering Oregon Public Contracting laws and statutes. EWEB will transfer as much as is reasonably possible of its liability contractually, and retain those risks that can be self-assumed without seriously affecting the financial condition of the organization. EWEB will purchase sufficient insurance coverage when the risk is of a catastrophic nature or beyond the capacity of the organization to absorb, or when it is required by law or contract. However, insurance shall, of necessity, be limited to availability of coverage at reasonable cost, consistent with the probable frequency, severity and impact of losses on the financial stability of the organization.

Due to the nature and extent of commodity risks, power supply related risk management policies are separately addressed in the Power Risk Management Policy.

3.2 Power Risk Management Policy

Purchases and sales of electric power and related financial instruments will be managed to maximize the benefits to customers from wholesale transactions while minimizing the risk that wholesale activities will adversely affect retail prices. *(BP SD6)*

Discussion:

For many years the staff at EWEB has worked to reduce power purchase costs while managing or avoiding risks that might result in price shocks or supply interruptions. Rapid changes in the electric power industry since 2000 have challenged traditional methods and prompted EWEB to migrate to power management systems and controls similar to those used in commodity trading organizations.

The Board has established a Power Risk Management Policy to provide direction and oversight as referenced in Board Policy SD8 - Power Risk Management Policies.

EWEB Financial Policies

3.3 Investment Policy

EWEB's investment portfolio will be managed to achieve safety of capital, achieve market rates of return, and provide sufficient liquidity to meet disbursement schedules. *(BP SD6)*

Discussion:

EWEB's Investment Policy calls for the investment of excess funds in a manner which will preserve capital and provide sufficient liquidity to meet cash flow demands while conforming to all State statutes governing investment of public funds and bond covenants. The policy includes provisions with respect to diversification and the credit quality of securities purchased. EWEB's primary objectives are, in order of priority: safety of principal, liquidity and achieving a rate of return at least equal to the return on a comparably maturing U.S. Treasury bill. EWEB attempts to match its investments to anticipated cash flow requirements. Securities are intended to be held to maturity, unless the quality, yield or maturity characteristics of the portfolio can be improved by replacing one security with another.

4.0 ACCOUNTING POLICIES

4.1 Financial Entity Policy

EWEB will account for separate financial entities and will clearly define relationships among those entities to facilitate management decision-making. *(BP SD6)*

Discussion:

1) Financial Reporting and Budget

Financial accounting standards and Bond covenants require that EWEB maintain separate financial records for the Electric Utility and the Water Utility. Each entity has separate legal standing and revenues backing their respective bond issues and separate budgets. Often, the Utilities share personnel or other resources. The shared resources are allocated between the systems for accounting and ratemaking purposes.

2) Reporting Entity

For external reporting purposes, EWEB is required to follow Governmental Accounting Standards Board (GASB) definition of a reporting entity as EWEB is considered a primary government. The Electric and Water Utilities are reported separately with a combined total for both systems.

For internal reporting purposes, the results and financial position of the Electric Utility and the Water Utility will be reported separately. In addition, any component of either

EWEB Financial Policies

Utility, which can be separately reported, and for which separate reporting would be useful, such as a major line of business, class of customer, or new operation will be separately reported as required by EWEB management from time to time.

EWEB also has various relationships with other parties, such as 1) Western Generation Agency, an Intergovernmental Agency cogeneration project, 2) Trojan Nuclear Project, a jointly owned decommissioned nuclear plant and 3) Harvest Wind, a joint ownership with an equity investment in a wind generating facility and 4) OPEB Trust, post-employment health care and life insurance benefits trust. These projects or investments are separate legal entities that are properly recorded within the Electric System and are fully disclosed in the footnotes of the financial statements.

4.2 Capitalization Policy

Major utility expenditures for labor, materials and/or services that result in revenue or benefits in future reporting periods will be capitalized and allocated to match such future revenue or benefits through periodic amortization or depreciation, using methodologies acceptable under accounting standards. Additions, renewals, and betterments with a minimum cost of \$5,000 are capitalized. Repairs and minor replacements are recorded as operating expenses. *(BP SD6)*

Discussion:

1) Utility Plant in Service

The physical assets that make up the electric and water production, transmission and distribution systems, including the acquisition of land or construction of a building are capitalized and included in plant in service.

2) Preliminary Investigations and Regulatory Accounting

It is accepted utility practice to accumulate preliminary investigations, costs of projects the utility believes will be viable in the future. An example of this for EWEB is relicensing costs for the Carmen-Smith Project. Preliminary investigations are recorded as an "Other Asset" on the Statement of Net Position.

EWEB policy also permits the use of regulatory accounting, which allows for revenues and expenses to be charged to future periods to match the time periods when the revenue and expenses are included in rates. Revenues and expenses that are recorded using regulatory accounting may be treated as other assets or liabilities or deferred inflows or outflows, depending on the nature of the revenue or expense. An example of a regulatory other asset is unamortized bond issuance costs. An example of deferred inflows and outflows is the recording of the change in market value of hedging derivative instruments. Board approval, either by resolution or by inclusion in the annual budget, is required prior to using regulatory accounting.

EWEB Financial Policies

Source: Board Approved 01/18/2000, Ratified 04/19/2005, Amended 07/19/2005, Amended 06/04/2013, Resolution No. 1308 07/16/13, Amended 07/21/2015, Resolution 1518, Amended 06/06/2017, Resolution 1711, Propose Amending 06/05/2018, Resolution 1817.

EWEB Financial Policies

5.0 APPENDIX A: CASH AND RESERVE TARGETS SUMMARY

6/5/18

| <u>Cash and Reserve Accounts</u> | <u>Electric Utility Target</u> | <u>Water Utility Target</u> |
|----------------------------------|---|---------------------------------|
| 1) Working Cash | \$36,000,000 | \$3,400,000 |
| 2) Power Reserve | 17,000,000 | |
| 3) Operating Reserve | 2,000,000 <u>4,000,000</u> | 1,000,000 |
| 4) Self-Insurance Reserve | 1,720,000 | 280,000 |
| 5) Capital Improvement Reserve | 22,000,000 | 7,000,000 |
| 6) Rate Stabilization Fund | 5,000,000 | 1,000,000 |
| | _____ | _____ |
| Total | \$83,720,000 <u>\$85,720,000</u> | <u>\$12,680,000</u> |

- 1) Working Cash – amount of cash needed to pay for ongoing operational costs during the year.
- 2) Power Reserve – amount of reserves to offset fluctuations due to the effects of risk exposures, and any budgeted draw on the reserve.
- 3) Operating Reserve – reserve for emergency operating costs.
- 4) Self-Insurance Reserve – reserve to pay for claims incurred during the year and target is based on the \$2 million self-insured retention for both utilities combined.
- 5) Capital Improvement Reserve – reserve for capital improvements and target is based on approximately one year’s depreciation.
- 6) Rate Stabilization Fund – reserve for one-time use at Board discretion; target amount approximates the dollar equivalent of a 3% price increase

**RESOLUTION NO. 1912
JUNE 2019**

**EUGENE WATER & ELECTRIC BOARD
RESERVE TRANSFERS**

WHEREAS, the Eugene Water & Electric Board is the body designated by the Eugene City Charter and City Code to administer the Electric and Water Utilities of the City of Eugene;

WHEREAS, the Eugene Water & Electric Board has set up procedures for evaluating reserve status after the annual audit;

WHEREAS, the 2018 annual audit is complete;

WHEREAS, the Eugene Water & Electric Board has reviewed year-end results

THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the General Manager to make the following transfers:

Water Utility

- 1) \$2,500,000 from Working Cash to the Rate Stabilization Fund
- 2) \$147,000 from Working Cash to the Pension & Post-Retirement Medical Fund

Electric Utility

- 1) \$2,000,000 from Working Cash to the Operating Reserve
- 2) \$325,000 from Working Cash to the Pension & Post-Retirement Medical Fund

Dated this 4th day of June 2019

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its June 4, 2019 Board Meeting.

Assistant Secretary

**RESOLUTION NO. 1913
JUNE 2019**

**EUGENE WATER & ELECTRIC BOARD
RESOLUTION APPROVING REVISIONS TO FINANCIAL POLICIES**

WHEREAS, the Eugene Water & Electric Board is the body designated by the Eugene City Charter and City Code to administer the Electric and Water Utilities of the City of Eugene;

WHEREAS, the Eugene Water & Electric Board has established Financial Policies to support the Board's financial targets, strategies and reporting;

WHEREAS, the Eugene Water & Electric Board has determined an increase in the Electric Operating Reserve target is appropriate;

THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board hereby approves the revision to the Financial Policies.

Dated this 4th day of June 2019

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its June 4, 2019 Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Carlson, Mital, Helgeson, Schlossberg and Brown
FROM: Rene Gonzalez, Customer Solutions Manager
DATE: May 21, 2019
SUBJECT: Proposed US Census Bureau Promotional Bill Stuffer
OBJECTIVE: Board Action

Issue

EWEB would like to support its community partners by raising awareness about the importance of participating in the 2020 US Census. Board Policy GP11, Use of Bill Stuffers, states that bill stuffer content must reflect material directly related to EWEB business. Exceptions to the policy must be approved by the Board of Commissioners.

Background

Responding to the census helps communities receive the funding they need and informs data-driven business decisions for many things which impact our community such as services, infrastructure, health care, senior centers, jobs, political representation, roads, schools and businesses. According to the US Census Bureau, more than \$675 billion in federal funding flows back to states and local communities each year based on census data.

The Lane Council of Governments requested that EWEB consider potential commitments the Utility can make to promote participation in the census.

Discussion

One effective way that EWEB can help is through the use of bill stuffers to provide information to its customers. There would be no additional cost for postage providing the standard bill stuffer process is used.

Separate from this requested Board action, Customer Solutions staff will evaluate other prospective opportunities for EWEB to raise awareness.

Requested Board Action

Approval to use a bill stuffer(s) during the 2019-2020 timeframe to raise awareness and promote the importance of participation in 2020 US Census.