



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Schlossberg, Helgeson, Brown and Carlson
FROM: Rod Price, Chief Operations Officer; Karen Kelley, Water Division Manager;
Wally McCullough, Water Engineering & Planning Supervisor
DATE: 04/24/20
SUBJECT: America's Water Infrastructure Act - Risk and Resiliency Assessment
OBJECTIVE: Information Only

Issue

America's Water Infrastructure Act of 2018 (AWIA) requires that all community water systems serving populations greater than 3,300 persons conduct an all-hazards assessment of the risks to, and resilience of, its system (Risk and Resilience Assessment). The Risk and Resilience Assessment (RRA) is for official use only and exempt from public disclosure as defined under Oregon Law Statutes (ORS) 192.345 and 192.355.

Background

Vulnerability assessments (VA) of water utilities have been required since the implementation of Title IV of the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (Bioterrorism Act). The Bioterrorism Act amended the Safe Water Drinking Act (SWDA) by adding new sections pertaining to improving the security of the nation's drinking water infrastructure. The Bioterrorism Act specifically required each community water system serving a population greater than 3,300 persons to conduct a VA, certify completion of its assessment and submit a written copy to the EPA where it would be stored in a secure location.

AWIA builds upon the original Bioterrorism Act and required all community water systems, serving populations greater than 100,000 persons, to conduct their RRA prior to March 31st, 2020. The following components were to be included in the analysis:

- Resilience of water infrastructure system components,
- SCADA/cyber security (of automated systems),
- Monitoring practices,
- The financial infrastructure,
- Use, storage, or handling of various chemicals by the system,
- The operation and maintenance of the system, and
- Evaluation of capital and operational needs for risk and resilience management (optional).

The RRA culminates with an implementation plan for capital and operational needs for risk and resilience management of the system which must be reviewed at least every five years to determine if the assessment needs to be revised.

EWEB certified completion of the RRA, to the Administrator of the Environmental Protection Agency (EPA), on March 30th, 2020 and is now beginning development of the next required step, an Emergency Response Plan (ERP) to address the findings of the RRA. The ERP is required to be completed within 6 months of the RRA and must also be certified to the EPA.

Discussion

EWEB retained HDR Engineering who along with Launch! Consulting worked with EWEB staff to complete the RRA. This team followed the American Water Works Association (AWWA) J100, seven-step process, through a series of workshops in completing the RRA. This multistep process included an evaluation of both natural hazards and human-caused threats in the analysis and focused on developing utility resilience. Decisions regarding risk were made by EWEB project team members with City of Eugene, and County staff assisting.

The completed RRA provided EWEB with an understanding of which of its assets are most critical, the vulnerabilities that exist for these assets, and recommendations to improve resilience of the water system. For the vulnerabilities that were identified, mitigation measures were developed and documented. The planned implementation of these mitigation measures will be the focus of the upcoming ERP. The mitigation measures identified in the RRA include:

- Physical Security - Improvements to cameras, fencing, and gates, the use of industrial strength locks, signage, and lighting.
- Access Control - Developing and maintaining an access control program that includes lock and key changes and card readers on critical assets.
- General Maintenance - Including landscaping and appropriate lighting for security, good housekeeping and safety practices.
- Program Development - Developing, implementing, and training staff on an Emergency Response Plan and a Business Continuity Plan. Providing a representative to the Fusion Center (State/local security information center). Developing an internal and interagency safety and security committee. Establishing emergency exercises with local partners.
- Procedural Changes - Including written procedures for staff, display of ID badges, adoption of a security inspection checklist for staff visiting critical assets, security incident reporting, a more rigorous visitor management program and background checks for contractors and others entering EWEB property.
- Update and Develop Standard Operating Procedures (SOPs) - Conduct regular trainings for employees on SOPs and emergency action plans (include local police and fire departments when applicable).
- Training - Train at least two backup staff with proper delegation of authority for critical positions.

While vulnerabilities were identified, several positive aspects were also revealed during the assessment regarding EWEB's current operations:

- The experience of EWEB staff from past emergencies allows for better resilience in the future because staff have learned to solve issues and communicate quickly.
- Back-up generator power is provided at many of the critical assets.
- Some assets already have camera coverage and nighttime lighting.
- During improvements, EWEB routinely upgrades facilities to the current Oregon Structural specialty code and/or design code.
- EWEB staff walk the perimeter of critical assets routinely to inspect for issues.
- Good housekeeping practices are followed, and sites are generally well-maintained.

EWEB staff and consultants will be working on its Emergency Response Plan over the next 6 months. Future correspondence will be provided to the Board summarizing the ERP process.

Recommendation/Requested Board Action

None. This is an information only item. If the Board has any questions please contact Karen Kelley, Water Division Manager at 541-685-7153 or karen.kelley@eweb.org.



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TO: Commissioners Mital, Schlossberg, Helgeson, Brown, and Carlson
FROM: Deborah Hart, Chief Financial Officer; Aaron Balmer, General Accounting & Treasury Supervisor
DATE: April 24, 2020
SUBJECT: Annual Reserve Transfers
OBJECTIVE: Board Direction

Issue

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

Background

On an annual basis, staff prepare a summary of the year-end reserve balances, compare the balances to the Board Financial Policy targets, and recommend transfers and/or uses of funds above target. Additionally, staff review targets to ensure they are reasonable to cover the intended risks. For both the Electric and Water Utilities, cash balances at December 31, 2019 remained above target following a Board approved \$22 million PERS payment to receive \$5.5 million in matching funds from the state and reduce EWEB's employer contribution rates. In addition, debt service coverage requirements were met for the year.

Discussion

Since the creation of the 2020 budget, the COVID-19 outbreak has become an emergent issue impacting both the Electric and Water Utilities' cash position and financial flexibility.

The impacts due to COVID-19 are continually being evaluated and staff are studying the effects the outbreak will have on operations and cash flows. Management has implemented temporary measures intended to assist customers and mitigate operational and financial impacts. The measures taken to date, and additional measures that may be taken in the future, may lead to an increase of uncollected accounts and the decrease of timely payments from customers. In addition, due to business closures, consumption will likely be adversely affected. Management is monitoring budgets closely to review alignment with the strategic plan and determine if spending can, and should, be adjusted in response to COVID-19. If necessary, budget amendments will be submitted for the Board's review.

The February 2019 snow storm resulted in restoration costs of \$4.3 million. Staff have worked with state and federal program administrators to file for a grant to reimburse EWEB for 75% of eligible costs. Supporting documentation for qualifying costs has been provided to the Federal Emergency Management Agency, and a \$3 million reimbursement is anticipated in 2020, however exact timing is unknown.

Given the uncertainty around the timing and amounts of both Utilities' receipt of, and potential uses for cash, Management recommends leaving excess funds in working cash as noted below.

Water Utility

A) Working Cash

Management recommends transferring \$393,000, in accordance with Financial Policies, to the Pension & Post-Retirement Medical Fund. This would leave Working Cash at \$7.8 million above target to cover uncertainties pertaining to the impacts of COVID-19.

B) Capital Improvement Reserve

At December 31, 2019, this fund was approximately \$4.2 million over target and included \$1.25 million previously designated for 2020 meter upgrades. The budget is being closely monitored by both Water and Finance staff, and Management is not recommending a transfer at this time.

C) Pension & Post-Retirement Medical Fund

PERS costs during 2019 were lower than budgeted by \$393,000. Board Financial Policies require the variance to be transferred to this fund.

Electric Utility

A) Working Cash

Management recommends transferring a total of \$974,000 to the Pension & Post-Retirement Medical Fund.

B) Power Reserve

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

C) Pension & Post-Retirement Medical Fund

PERS costs were lower than budgeted by \$974,000. Board Financial Policies require the variance to be transferred to this fund.

Recommendation and Requested Board Action

Attachments 1 and 2 provide detail on reserve balances and recommended transfers for the Water and Electric Utilities, respectively. Management is requesting direction on the above strategies and based on that direction will request approval of transfers and reserve targets at the June Board meeting.

Attachment 1 – Water Utility Schedule of Cash Reserves

Attachment 2 – Electric Utility Schedule of Cash Reserves

ATTACHMENT 1
Water Utility Schedule of Cash Reserves

	FINANCIAL POLICY	BALANCE	RECOMMENDED	BALANCE
	REFERENCE	TARGET	USE OF CASH	AFTER
Working Cash	Rate Sufficiency	\$ 3,400,000	\$ (393,000)	\$ 11,185,709

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 ¹	Capital Reserve	7,000,000	11,206,669	-	11,206,669
Rate Stabilization Fund	Rate Stability	1,000,000	1,000,000	-	1,000,000
Water Stewardship Fund- Septic Repairs		-	73,922	-	73,922
Business Growth & Retention Loan Fund		-	209,546	-	209,546
Alternate Water Supply Fund		-	5,861,521	-	5,861,521
Pension & Post Retirement Medical Fund		-	-	393,000	393,000
DESIGNATED FUNDS TOTAL		\$ 9,280,000	\$ 19,652,553	\$ 393,000	\$ 20,045,553
CASH & DESIGNATED FUNDS TOTAL		\$ 12,680,000	\$ 31,231,262	\$ -	\$ 31,231,262

1. The Capital Improvement Reserve includes \$1.25 million for meter installations in 2020

ATTACHMENT 2
Electric Utility Schedule of Cash Reserves

	FINANCIAL POLICY	BALANCE	RECOMMENDED	BALANCE
	REFERENCE	TARGET	USE OF CASH	AFTER
		12/31/2019		
Working Cash	Rate Sufficiency	\$ 36,000,000	\$ 37,664,070	\$ (974,000) \$ 36,690,070

DESIGNATED FUNDS

Operating Reserve	Rate Stability	\$ 4,000,000	\$ 4,082,704	\$ -	\$ 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	22,188,327	-	22,188,327
Rate Stabilization Fund ¹	Rate Stability	5,000,000	24,468,927	-	24,468,927
Business Growth & Retention Loan Fund		-	1,996,890	-	1,996,890
Pension & Post Retirement Medical Fund		-	-	974,000	974,000
DESIGNATED FUNDS TOTAL		\$ 49,720,000	\$ 71,510,822	\$ 974,000	\$ 72,484,822
CASH & DESIGNATED FUNDS TOTAL		\$ 85,720,000	\$ 109,174,892	\$ -	\$ 109,174,892

1. The Rate Stabilization Fund includes \$21.5 million previously designated to reduce future borrowings.



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TO: Commissioners Mital, Schlossberg, Helgeson, Brown, and Carlson
FROM: Deborah Hart, Chief Financial Officer;
Sarah Gorsegner, Purchasing & Warehouse Supervisor
DATE: April 24, 2020
SUBJECT: Proposed Changes to the Board Consent Process
OBJECTIVE: Informational Only

Issue

At the February board meeting interest was expressed in receiving additional information about the selection process for contracts presented for Board Approval. In recent months, Management has discussed proposing alternative approaches for contract approval by the Board.

Background

Currently all contracts above \$150,000, or where there is significant community interest, are presented to the Board for Approval. Contracts between \$40,000-\$150,000 are presented to the Board in the quarterly contract report.

Discussion

To support the Board's request, Board Consents will include pricing information, evaluation criteria, and ranking of proposers when applicable.

In order to provide greater clarity for the Board, Management proposes that the consent calendar be divided into 2 sections.

- One section will be for standard contracts and consent items, contracts included in this section will include contracts where 3 or more responses were received and the total value of the contract is under \$1,000,000.
- A second section will be for other contracts and consent items, contracts included in this section will include contracts where the number of responses was less than 3 or the total contract value exceeds \$1,000,000.

Recommendation

No action is required. Management anticipates that these revisions will provide the additional context requested by the Board and simplify the approval process. Please submit any questions to Sarah Gorsegner, 541-685-7348 or sarah.gorsegner@eweb.org



MEMORANDUM

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TO: Commissioners Mital, Schlossberg, Helgeson, Brown and Carlson
FROM: Michael McCann, Generation Manager, and Rod Price, Chief Operating Officer
DATE: April 20, 2020
SUBJECT: Walterville Canal Flow Restrictions for 2020
OBJECTIVE: Information Only

Issue:

In a Record of Decision implemented on January 10, 2018, General Manager Frank Lawson formalized an operational decision regarding summer flows in the Walterville Canal, which is part of the Leaburg/Walterville Hydroelectric Project (FERC #2496). The decision states that, “In years with below median expected summer stream flows/snowpack, from May 20th through October 31st, EWEB will voluntarily adjust the power canal intake in order to maintain at least 10% more flow in the McKenzie bypass reach of the Walterville hydroelectric project than flows exiting the tailrace of the project.”

Background

EWEB owns and operates the Walterville hydroelectric project, with a nameplate capacity of 8 MW, on the lower McKenzie River under a license issued by the Federal Energy Regulatory Commission on April 27, 2000. Up to 2,577 cubic feet per second (cfs) can be diverted into the Walterville canal at the Walterville diversion under normal operations. Under the terms of the operating license, EWEB is required to maintain minimum instream flows in the bypassed reach of the McKenzie River of 1,000 cfs at all times.

In accordance with the Record of Decision, in low flow years EWEB will adjust the flow going into the Walterville canal in such a way as to maintain 10% more flow in the river than in the canal during the summer. Maintaining more flow in the river than in the canal will improve fish migration as well as enhancing water quality and recreational use during the summer months in the bypassed reach. The primary impact to EWEB will be financial through lost generation.

Discussion

Based upon snowpack data and summer stream forecasts available in mid-April, the McKenzie Basin is projected to experience below median stream flows during the upcoming summer. NRCS SnoTel data indicates that current snowpack in the basin is roughly 94% of median. McKenzie River streamflow forecasts for the April to September period at Vida (the closest forecast station) are 92% of average.

Accordingly, EWEB Generation will implement the Walterville Canal flow restrictions identified in the January 2018 Record of Decision following the annual Walterville Project maintenance outage that is currently scheduled for June 13 to 26, 2020. Through October 31, 2020, EWEB will voluntarily maintain at least 10% more flow in the McKenzie Bypass of the Walterville Canal than in the canal itself.