



The following questions have been posed by Commissioners prior to the scheduled Board Meeting on November 7, 2017. Staff responses are included below, and are sorted by Agenda topic.

### 2018 Proposed Budgets, Revenue Requirements and Prices

► Sue Fahey, Chief Financial Officer

**Why does Veneta have a proposed rate reduction but River Road and Santa Clara don't see any benefit of the reduction?**

*Response: The wholesale customers and Water districts were not impacted by the 3% AWS increase in 2014 so the removal of the increase alone has no impact to those rates. The 2017 cost of service analysis (COSA) indicated that the City of Veneta rates should decrease 8.6%; however using the gradualism rate-making principle Veneta rates were decreased by 8%. The gradualism principle is also why the proposal is to decrease general service rates by 1% as opposed to the 3%. Last year's COSA indicated general service prices should increase 7.8%, but a 5% increase was implemented. Minor shifts in costs by class due to the Affordability Initiative shifted revenue requirements slightly from last year.*

**I would like to see a breakdown of distribution of funds to schools (\$500,000) by Ward for the last 3 years.**

*We do not track these funds by Ward. However, EWEB has the following five-year agreements that commenced in 2016.*

*Bethel School District - \$77,000  
Eugene School District - \$247,000  
McKenzie School District - \$21,000  
Springfield School District - \$47,000  
LCC - \$70,000*

*In addition to the above, schools are occasionally awarded Greenpower grants, and there is approximately \$30,000 of mini-grants budgeted. All grants will be included in the GM's annual report on grants and community investments.*

**Proposed Budgets – Attachment 1: Why do we believe that residents will use 943,000 MWH in 2018, when they used almost 7% less in 2016 which included an ice storm unseen in that magnitude in 40 years?**

*Response: First quarters 2015 and 2016 were unseasonably warm resulting in low consumption in both years. Overall, the rest of 2016 was more temperate and even December 2016 consumption was below the previous 4 year average. Average residential consumption for the last five years has been 925,000 MWH. Excluding 2015 and 2016, average residential consumption was 947,000 MWH.*

**How closely is this consumption tracking with 2017 actuals? What is driving that growth?**

*Response: 2017 residential consumption is currently tracking 5% above budget, and general service consumption is tracking 3% above budget. Growth from 2016 is primarily being driven by heating and cooling degree days tracking closer to historical averages.*

*There is a \$2.7 million contribution margin risk tolerance included in the budget that would absorb a 2.1% decrease in consumption.*

**2018 Proposed Budgets – Attachment 1: Why is energy conservation decreasing? I thought the proposal would be to increase it \$250,000.**

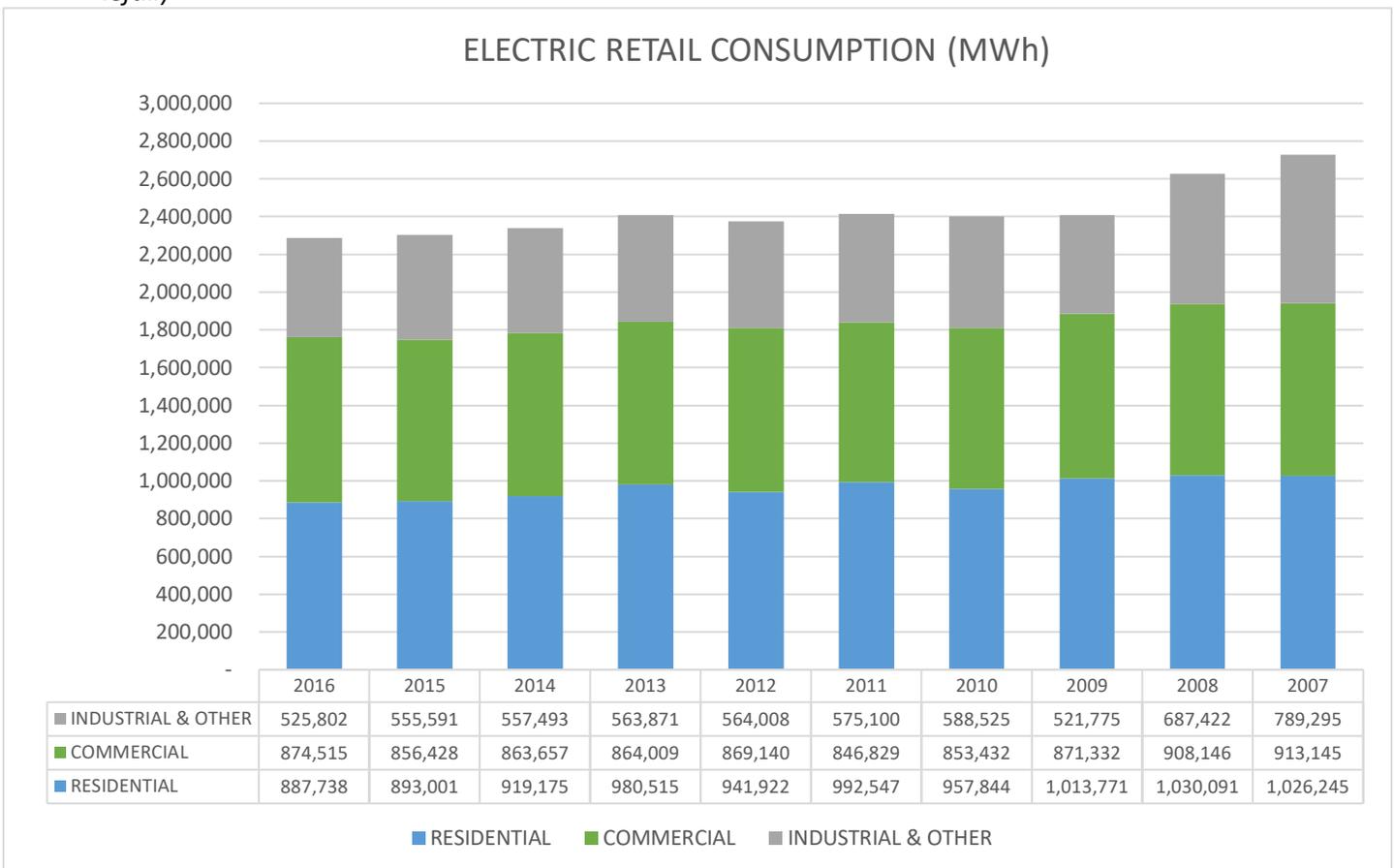
*Response: The reduction is a result of the Customer Service reorganization and reduced staffing levels. Attachment 2, page 14 of the budget document indicates that that conservation incentives have increased from \$2,199,000 in the 2017 approved budget to \$2,540,000 in the proposed 2018 budget.*

**2018 Proposed Budgets – Attachment 1: Why does the proposed budget propose reductions to customer aid by \$2.8 million?**

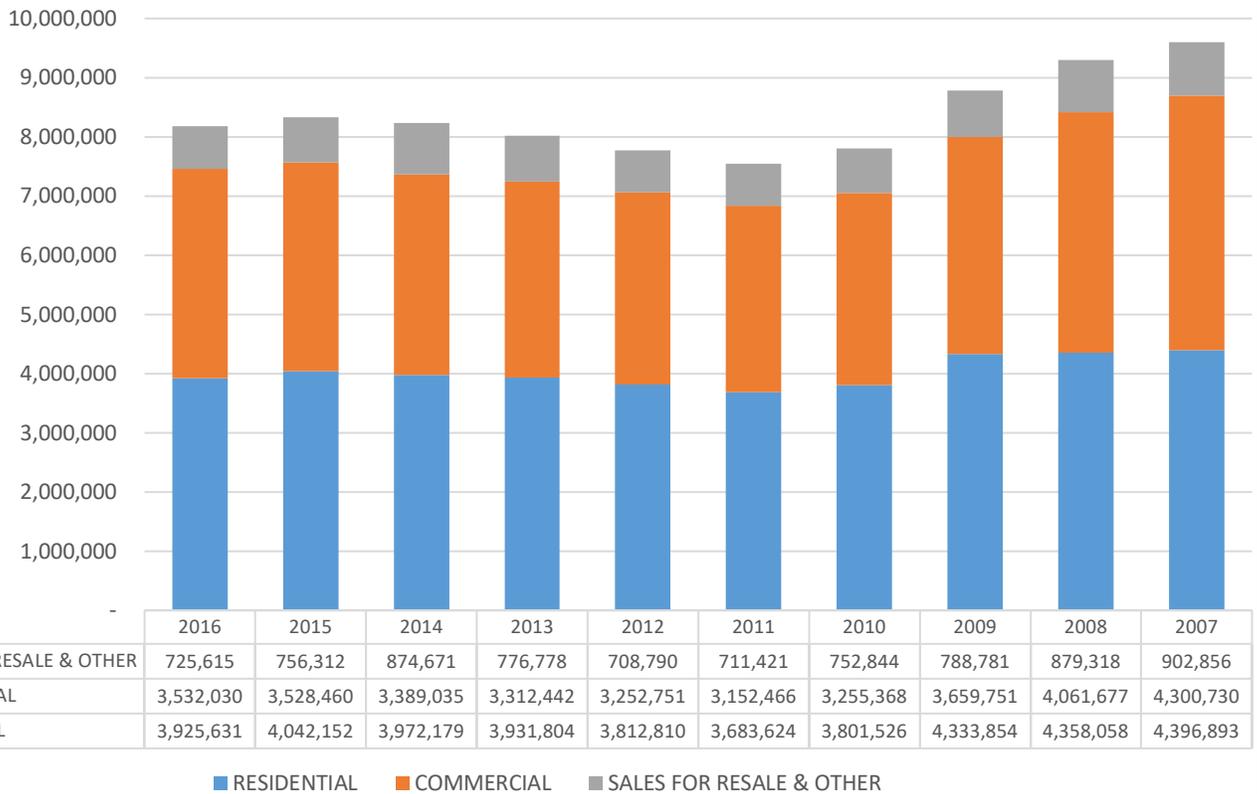
*Response: These “contributions” are for customer payments to EWEB for capital projects. The 2017 Capital budget was amended in April to reduce contributions in aid by \$1.7 million anticipating a lower level of work. Additionally, \$700,000 is a result of telecom work being classified as operations & maintenance in 2018.*

**2018 Proposed Budgets – Attachment 1: Can I see a chart of the consumption of both electricity and water usage for the past 5 to 10 years? (Whatever is already developed would suffice).**

*Response: Consumption information excluding wholesale sales appears below (NOTE – years go from right to left...)*



## WATER CONSUMPTION (kgal)



**2018 Proposed Budgets – Attachment 2: It looks like Customer Service has the largest reduction in staff. This seems antithetical to the direction we gave regarding administrative overhead. Please explain how this fits in with the strategic plan that focuses services without reducing quality? If customer service is overburdened, then that will surely affect customer quality.**

*Response: For the most part, any work that is not directly associated with constructing or maintaining the Water and Electric infrastructure is considered administrative overhead. Customer Service consists of several departments, many of which were impacted by the reorganization. Twenty-five percent of the FTE reduction is a result of transfers to other divisions, and about 20% was a reduction in the Marketing group. The remaining reductions are primarily from positions that have been open for several months or a result of the change to the Customer Solutions department. Management will continue monitoring calls and metrics to ensure that we remain responsive to our customer-owners.*

**2018 Proposed Budgets – Attachment 2: Why has Contract Labor decreased significantly and Professional and Technical Services increased significantly?**

*Response: Building Operations, Physical Security and Fleet Services Contract Labor decreased from 2016 primarily due to the Janitorial Services contract being reclassified to Professional and Technical Services in 2017 and 2018. Customer Service Contract Labor is primarily for temporary contract meter readers. The Customer Service Professional and Technical Services increase is primarily due to limited income education and incentive programs moving from the Finance Division as part of the reorganization, and budget for outside assistance while staff works on the CIS system replacements*

**2018 Proposed Budgets – Attachment 2: Why is our Maintenance and Repairs budget for 2018 so much lower than 2016? As we implement the affordability initiative, I want to make sure we aren't just kicking the can down the road by reducing costs now at the expense of the future.**

*Response: Canal maintenance costs were reclassified to Construction Agreements. There has been no reduction in Energy Division maintenance as a result of the Affordability Initiative.*

**2018 Proposed Budgets – Attachment 2: What is “wheeling”?**

*Response: Wheeling is the cost associated with getting power from the source to EWEB’s system and between counterparties. BPA is the largest provider of transmission services to EWEB.*

**2018 Proposed Budgets – Attachment 3: What is a “Premium wage”?**

*Response: Premium wages include overtime and other premiums per the IBEW contract.*

**2018 Proposed Budgets – Attachment 4: Does the increase in Pension and Medical Funds of \$2.1 million equate to paying down the PERS liability as per the staff recommendation from an earlier board agenda item? Or is this increase due to another factor? I note that the Rate Stabilization Fund is 26 million over target, if we chose to, could the Board designate a larger portion of these funds towards that goal and what would be the pros and cons of that decision?**

*Response: The increase in Pension and Medical Designated Funds is a result of board policy that requires the difference between budgeted pension expense and actual cost be transferred to this fund. Finance is forecasting that for both utilities combined, 2017 actual pension costs will be \$2.8 million lower than budgeted. When the Board discusses the highest and best use of cash in 2018, Commissioners could decide to transfer additional funds to the Pension and Medical Designated Funds. Finance will provide information regarding the pros and cons for various uses of cash at that time.*

**February 2018 Water Price Proposal: Why is River Road and Santa Clara excluded from this list?**

*Response: River Road and Santa Clara are a single customer class, Water Districts. They share the same rate schedule in Table 14. This is why they do not appear separately in the table on page 1 of the executive summary.*

**Pumping and Delivery Charge Above the Base: I believe these pumping tiers correspond to the elevation of the property, correct? If so, do these rates actually cover the costs to deliver the service?**

*Response: The pumping tiers are determined by the elevation of the pumping system that serves the area, not by individual property elevations. Power for pumping, and the labor associated with pump operations has been allocated to this group of customers. It does not include the cost of construction of the pump stations or all of the maintenance of those stations. Our current systems and processes have some limitations in how we collect and extract data as it relates to capturing all of the costs associated with serving higher elevations.*

**2017 Third Quarter Operating Dashboard & Goals Review**

**► Frank Lawson, General Manager**

**Dashboard: Resilient water sources “have been initiated but are progressing slowly”, what are the key barriers or drivers of that slow progression?**

*Response: There are several variables to consider when attempting to design treatment for multiple types of water sources. Our goal is to develop standardized modules that can be applied in several locations, which requires coordination with several other partners and technical experts. The design is progressing slowly.*

**CONSENT CALENDAR**

**CONTRACTS**

**Cascade Pacific Resource Conservation & Development – for the development of an accounting system to manage disbursements for the McKenzie Watershed Conservation Fund. Contact Person is Rod Price (on behalf of Mel Damewood).**

I would guess that the grant partnership allows particular legal considerations, but I wanted to double check that it is legal for us to negotiate a sole source exemption with CPRC? In short, please confirm that this is not a contract that requires a public bid. Once this system is developed how long is it expected to last? What does “establish a governance structure for administering the Fund” include and how could that relationship interact with EWEB policies and Board approvals?

*Response: It is legal for EWEB to negotiate a contract using the sole source exemption with CPRCD. EWEB Public Contracting Rules and ORS allows for the award of a contract for goods or services without competition when the goods or services are available from only one source. The determination of a sole source must be based on written findings that include documentation that the goods or services are available from only one source. EWEB staff has prepared the written findings and management has reviewed and approved the documentation.*

*The contract is for two years. Once the McKenzie Watershed Conservation Fund is established, all future funding from Federal, State, local, and private sources will flow through the Fund for riparian and floodplain protection and/or restoration projects as part of the Pure Water Partners (PWP) program.*

*The EWEB Board has approval authority for contracts, change orders, and budget as outlined in the EWEB Contracting Rules and the Board Policies. EWEB is not obligated to provide any contributions to the Fund under this agreement. For contributions to the Fund, EWEB plans to budget based on landowner participation and acres under agreement for long-term protection. Management will work with the Board to establish strategic levels of investment that would go through the Fund for riparian and floodplain protection projects under the PWP on private land. This grant funded project will work with partners and funders to establish a governance structure of the Fund that best represents the interests and goals of the PWP program. EWEB’s role as a funder would likely involve participation in the governance of the Fund to be part of decision making around funding priorities and Fund health and direction.*

## **COOPERATIVE CONTRACTS**

**Cummins, Inc. – to authorize the use of a cooperative contract for the purchase of backup generators. Contact Person is Rod Price (on behalf of Mel Damewood).**

**Where do we have other back-up generation? Does the ROC have back-up energy supply?**

*Response: EWEB has back up diesel generators at most generation sites, at pump stations without reservoirs, Headquarters and ROC. EWEB also has several portable diesel generators. We have emergency generation available at all critical generation sites. These include power plants, control centers, spillways, fish screens, canal head gates, and communication sites. As a note, data centers at HQ and ROC have back up battery (UPS) systems. Also, the ROC will be the first test site for Micro-grid program, which will have a combination of battery and solar to provide backup power. The ROC micro grid is due to be installed mid-2018.*

**CVE Technologies – to authorize the use of a cooperative contract for Cisco hardware and services. Contact Person is Matt Barton.**

**How is this connected/different than the last major approvals the board has made in recent months to support IT services?**

*Response: This year the board has approved contracts for replacing and consolidating our aging telecomm systems, desktop hardware, Microsoft software and support, and the CIS Replacement.*

*This cooperative agreement with the state allows us to purchase networking, compute, and storage systems. This is the foundational technology which supports our applications. Previous requests have primarily been application specific with the exception of desktop hardware.*

*This request is to allow EWEB to purchase planned replacements. These replacements are planned in our 10 Year Capital Plan. In 2017, we are planning to purchase the following:*

- *Replacement of aging wireless infrastructure (WiFi). We will also increase our WiFi capacity at Carmen Smith to support the Relicensing Project.*

- Simplification of our network by replacing aging network components with modern appropriately sized equipment
- Replacement of end of life network switches at Leaburg.

Due to EWEB's size, vendors like Cisco won't sell directly to EWEB. This requires us to use a Value Added Reseller (VAR) like CVE Tech to make purchase on our behalf. They also provide consulting on how to follow best practices when implementing the systems we've purchased.

For reference, the Board has approved the following IT Contracts in 2017:

Contract Description	Description
<a href="#">Interactive Intelligence, Inc.</a>	For professional service to upgrade and implement technology enhancements, \$495,000 (Resulting Cumulative Total \$1,210,000).
<a href="#">CenturyLink</a>	For the purchase of Telephony Services. \$510,000 (over 3 years)
<a href="#">Dell Marketing</a>	For the Use of Two Cooperative Contracts for Computer Hardware, Software, and Support. \$1,200,000 (over 3 years).
<a href="#">Cayenta</a>	For the purchase and implementation of a Customer Information System (CIS). \$6,400,000 (includes maintenance and support through June 2024).

**What is the replacement cycle for our computer equipment purchased from Cisco and Verizon (desktops, laptops, mobile devices, etc)?**

Response: We target a five year replacement cycle for all hardware.

**How do we know it is sufficiently conservative?**

Response: I believe the replacement cycle is sufficiently conservative based on two factors:

- Vendors help influence this decision. By the fifth year of ownership the O&M costs from vendors have increased significantly as they expect the rate of hardware failures to increase. An analogy would be something like; it's much cheaper to get life insurance for a 25 year old than an 80 year old.
- Around the fifth year we begin to see a sharp increase in system failures such as failed hard drives and broken fans.

**Do we recover any of the cost in secondary markets after we're done with the equipment?**

Response: We have been unable to recovery any value from the secondary markets. We've attempted to sell hardware several times but there is little interest.

We've also approach 4J and Bethel to see if they would be interested in us donating the hardware. Neither is interested most likely because of the reasons listed above. It's going to be expensive for them to maintain and the life is much shorter. In other words, we can't even give the stuff away.

**Galt Foundation and Quantum Recruiters – to authorize the use of cooperative contracts for temporary staffing services. Contact Person is Lena Kostopulos.**

**When do we use temporary employee services?**

Response: Temporary services are used when there is a short-term, defined need to cover a function or augment staffing. For example, a department could choose to cover an absence due to a medical leave with a temporary employee if the work could not be temporarily managed by existing staff.

Rarely, a retiree is hired back as a temporary employee for the purpose of contributing a particular skill set, transferring knowledge to remaining staff or ensuring continuity on specific project. This occurs in situations when the retirement was not anticipated and time was insufficient to fully implement continuity planning.

**Do we have revolving “temporary employees” (employees that have been classified as temporary, but have actually been hired for years and years)?**

*Response: No, EWEB temporary employment is limited to six months continuous for standard temporary employees and to no more than 1039 hours per year for an employee who is in PERS retired status. EWEB’s policy regarding temporary employment and the Collective Bargaining Agreement both comport with laws prohibiting this practice. Specifically, the Policy states, “...a temporary employee may not continue working after reaching the maximum time unless Human Resources authorizes and converts the worker to regular employee status.”*

*The Policy and the CBA do allow recurrent/seasonal employment but the same six month limitation applies and the assignment must meet the conditions and definition of “seasonal employment.” EWEB has not hired a seasonal employee for the last several years.*

**What are the benefits/costs associated with hiring temporary employees through an agency vs. contracted direct short-term services?**

*Response: The primary benefit of temporary employment strategies is that they satisfy an entirely different purpose from regular status employment in that they are utilized to address temporary needs. Temporary employment requests, particularly those involving previously retired 1039 workers, are carefully vetted to ensure they comport with the intent of law and EWEB policies.*

*The cost for temporary workers varies by position & provider and ranges from approximately 22 – 30% above the pay rate for the subject job. In contract, the loaded payroll & benefit rate for a regular status employee is approximately 70%.*

*The benefits of using agency services over contracted direct services include:*

- *By virtue of their business model, agencies are generally equipped to supply qualified temporary workers on as needed basis.*
- *Employment counsel has advised that EWEB is best served by using agencies even in limited circumstances when EWEB could hire its own “temporary” workers specifically because this makes the legal segregation of temporary and regular status employment clear.*
- *In general, contracting direct services presents significant limitations with respect to quickly securing the various temporary skill sets EWEB generally solicits. However, there are times when EWEB uses contract services workers. The CBA restricts EWEB’s use of contracted workers but allows their use when particular conditions can be satisfied. For example, in 2016 EWEB was able to satisfy these conditions and hired an electric “dock crew” to temporarily fulfill staffing requirements which had been challenged by multiple protracted, injury-related absences. The CBA includes restrictions regarding contracting work.*

**Haworth Inc. – to authorize the use of a cooperative contract for systems furniture reconfiguration and setup. Contact Person is Rod Price.**

**This number seems high in comparison to some other projects we may be choosing to end or reduce. Do we expect to use the entire amount allocated?**

**Does this include spending for furniture? If so, what is the expected breakdown of furniture to consultation services? Were costs of this nature included in the financial analysis to consolidate at the ROC?**

*Response: EWEB has approximately 100 people moving from HQ to ROC over the next year. There are some surplus furniture/cubicles already at the ROC, so we will make every attempt to use what we already have, but the furniture/cubicles from the HQ are not coming with the people, so we anticipate that we will need to purchase furniture and cubicle pieces. HQ furniture/cubicles are at the end of life and do not configure with the ROC equipment. We will only use what money we need from the contract. Most of the cost for this*

contract will be to purchase new pieces, as Haworth has offered free consulting with us for office and furniture configurations and layout. Costs for new furniture/cubicles was included in the January 2017 analysis presented to the Board. (\$206,000)

**LILE International – to authorize the use of a cooperative contract for moving services. Contact Person is Rod Price.**

**Moving Services / ORPIN Contract with LILE International: Were moving costs of this magnitude included in the financial analysis the Board used to consider consolidating at the ROC?**

*Response: In the January 2017 analysis presented to the Board, moving costs were estimated at \$100K. EWEB plans on doing as much of the actual moving using internal labor resources, but there will likely be a couple situations where it will be more efficient to have Lile do some mass moves.*

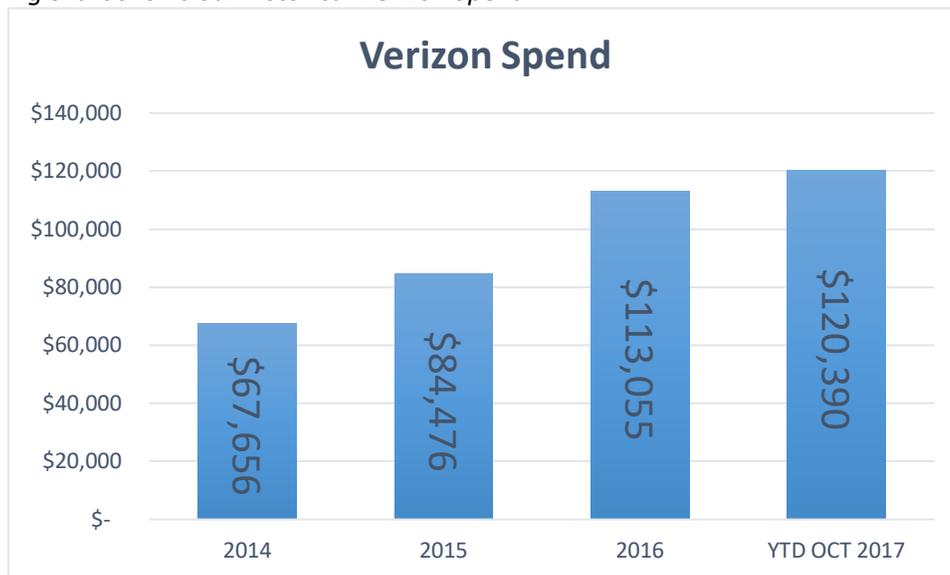
**Verizon Wireless – to authorize the use of a cooperative contract for the purchase of wireless devices and services \$300,000 (over 2 years). Contact Person is Matt Barton 541-685-7109.**

**What is the replacement cycle for our computer equipment purchased from Cisco and Verizon (desktops, laptops, mobile devices, etc)?**

*Response: In regards to Verizon, we spend about 90% for services and 10% for hardware. We follow a similar replacement schedule to that of Cisco hardware. However, we often get free phones through offers so we'll often swap out phones when it's free.*

**Verizon Wireless: How does cost compare to previous contracts for these services? I just want to get a general sense of the spending trend.**

*The following chart shows our historical Verizon Spend:*



*The spike in 2015 and 2016 was EWEB selecting Verizon as its Virtual Private Network (VPN, connected laptop) solution. This greatly increased the demand for accounts.*

*IS actively manages this contract, allowing EWEB to take advantage of offers from Verizon. For example; we are often able to replace devices for free or at a greatly reduced rate versus the business retail rate.*

*We expect the cost to stay level going forward at approximately \$150k annually.*

## RESOLUTIONS

### Resolution No. 1727 – 2017 Revised and 2018 Trojan Budgets. Contact Person is Sue Fahey

*Background Information:*

*The budget for Trojan Nuclear Plant is not included in the EWEB budget, and the costs are not included in EWEB financial results. EWEB does include information about Trojan in the notes to the annual financial statements. In 1981, with the Net Billing Agreement, BPA assumed all rights to power from Trojan, and agreed to cover all of EWEB's costs for Trojan. There is no termination date to the agreement.*

#### **Do we believe that this funding adequately covers appropriate long-term storage?**

*Response: The Trojan Nuclear Plant is required to have a license, approved by the Nuclear Regulatory Commission (NRC) that includes all technical requirements and costs for the site over the 40 year term of the license. The annual budget is based on the technical requirements of the maintaining the site outlined in the license, informed by more current cost estimates. Trojan is currently in the process of renewing its license with the NRC for an additional 40 years.*

*Trojan does not budget for reimbursement of storage costs under the settlement agreement with the Department of Energy. The original settlement agreement has been extended to include storage costs incurred through 2019. While there is no guarantee that additional extensions will be granted, PGE, EWEB, and BPA will work together to ensure that the terms of the agreement are extended until a permanent solution to long term storage is found.*

#### **Given the nature of nuclear waste, I am guessing that unless the Federal government creates a repository this will always be a line item in our budget, correct?**

*Response: EWEB will continue to prepare a budget for Trojan, and follow the terms of our agreements with BPA as long as required.*

#### **Do we believe this funding covers future needed future capital improvements or is there lagging maintenance?**

*Response: Yes, the license includes all operating and capital costs expected for the site. Capital costs are included in the annual budget as needed.*

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## CORRESPONDENCE ONLY

### EL1 Capital Report for Q3 2017

#### **Distribution System Scada/PLC Upgrades: This project says it is behind due to staff limitations. Has the progress of this project been negatively impacted by workforce reductions or are there other factors at play?**

*Response: This replacement program was originally planned in 2013. The projects included in the program are very complex and require a specific skill set to complete. The staffing limitations noted reflect the limited number of existing staff and consultants with that skill set. This project has not been negatively impacted by recent workforce reductions. EWEB has actually recently added staff to help complete this program.  
(Rod Price)*

### Financial Report for Q3 2017

#### **Third Quarter 2017 Financial Report: Do the “unfavorable variances” noted affect our credit rating or are these only internal metrics?**

*The variances are calculated against EWEB's budget for internal monitoring purposes and do not directly impact credit ratings. Rating analysts focus on an organization's financial health and determine whether effective*

*financial monitoring is occurring. Over the last year, rating analysts have indicated that EWEB is strong in both those areas.*

**What range is considered “acceptable variance?”**

*The Board approves four budgets (Electric O&M, Water O&M, Electric Capital and Water Capital) which provides the sideboards for acceptable variances. Reported variances are provided to add clarity for the end user and focus on the income statement. Finance exercises professional judgment in highlighting variances on these internal statements based on context and overall impact to the financial statements and Utility.*

**Under the net pension liabilities the amount goes from \$86 million to \$37 million and then back up to \$86 million, is that due to the pending court case that was lost or some other factor?**

*EWEB does not receive information from PERS to book the net pension liability until February or March of the following year. Prior to closing the year end books, an entry is made to recognize the liability in December in accordance with generally accepted accounting principles. The amount for the September 2016 pension liability represents the December 2015 liability. The 2016 liability increased significantly due to lower than anticipated investment earnings and changes in actuarial assumptions.*

**Electric Utility Sales in MWh: Why did we have such a dip in General Service & Large Industrial Sales in 2016?**

*The International Paper plant was shut down for major maintenance in October 2016.*

**Quarterly Contract Report for Q3 2017**

**I would like to know more about the scope of work for the EWEB System Resiliency Islanding Study that was contracted and the timeline for when it is expected to be completed.**

*Response: The islanding study is the first step in creating a resilient spine for the electrical system and helping determine what amounts of generation EWEB may be able to use with our local resources. We are starting with a system model of Leaburg and Walterville and connecting critical loads. The study results will include recommended upgrades to both the generation plants, as well as distribution and transmission from the plants to the critical loads. The study is in the data collection phase and draft results are due January 2018. (Rod Price)*