

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
May 1, 2018
5:30 P.M.**

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

Absent: None

Others Present: Susan Ackerman, Chief Energy Officer; Mel Damewood, Chief Water Engineering & Operations Officer; Sue Fahey, Chief Financial Officer; Laura Farthing, Engineer; Tia Marie Harwood, Interim General Accounting & Treasury Supervisor; Frank Lawson, General Manager; Mike McCann, Generation Manager; Julie McGaughey, Customer Operations Manager; Jeannine Parisi, Customer Relationship Manager; Rod Price, Chief Electric Engineering & Operations Officer; Adam Rue, Financial Analyst.

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

President Brown announced that all EWEB Board meetings were now being audio recorded, and would be available to the public from EWEB.

Agenda Check

There were no changes or additions to the Agenda.

Items from Board Members and General Manager

- Commissioner Helgeson complimented staff for the thoroughness of the information contained in the Board packet. He also thanked staff for their work on the information surrounding AMI contained on EWEB's website.
- Commissioner Simpson announced that he and Mr. Damewood would be traveling to Las Vegas to attend the AWWA (American Water Works Association) conference. He also announced Mr. Damewood would be presented with a Safety Award at said conference.
- Vice President Carlson reported that she had attended EWEB's Resiliency Meeting. She said that she attended the Kid Wind event in Bethel. Vice President Carlson said she also attended the solar panel ribbon-cutting ceremony at Buena Vista; she expressed excitement at seeing EWEB projects come to fruition.
- Mr. Lawson announced the FEMA grant had come through, and EWEB would be reimbursed up to \$1.4 million for projects related to preventing and mitigating local storm impacts.

- President Brown said that Willamalane, along with City of Springfield, and EWEB, agreed to chip in \$5,000 each for upriver cleanup. He also expressed interest in discussing EWEB's surplus property. Lastly, President Brown presented Mr. Damewood a certificate commemorating his 30-year anniversary with EWEB.
- Mr. Lawson announced that Springfield Utility Board and International Paper had also pledged funds to the upriver cleanup campaign.

Preliminary Residential Electric Pricing Committee Findings

Ms. Ackerman, Ms. Parisi, and Mr. Rue offered the Board a report and Power Point presentation on the findings of the Residential Electric Pricing Committee.

Commissioner Helgeson said he was in support of collapsing the pricing tiers, and moving toward a flat-rate structure. He added that he would be happy to defer any conversation about a higher Basic Charge.

Commissioner Mital offered that he too was in support of collapsing the pricing tiers. He said that he was also not ready to raise the Basic Charge.

Commissioner Simpson said he was in favor of increasing the Basic Charge as an end goal; he said he would be happy to have a conversation to pin down a timeframe. He acknowledged that the bill impact these decisions would have would appear non-conservationist, so he stressed the importance of communication with EWEB ratepayers. Commissioner Simpson said he was in favor collapsing pricing tiers as well.

Vice President Carlson offered that she too was in favor of collapsing pricing tiers. She said that she was also in favor of grouping any rate structure changes with changes to low-income programs to make it more palatable for the public. Vice President Carlson stressed gradualism in any of these changes, also for the sake of the public.

President Brown was also in favor of pricing tier collapse and raising the Basic Charge gradually, but he was concerned about public perception surrounding these changes.

President Brown asked staff if they had the direction they required from the Board.

Ms. Ackerman said she believed so. She said they would come back to the Board with the collapsed pricing tier discussion.

Commissioner Simpson noticed staff did not mention a framework for Basic Charge modifications in their read-back of Board direction.

Ms. Ackerman said she simply forgot to add that, but it was part of Staff's ongoing conversation, and would be brought back to the Board in the future as a long-term strategy.

Commissioner Simpson wondered if the tier collapse would be a three-month planning process.

Ms. Ackerman said staff was hoping they could bring the complete pricing package back to the Board in approximately November, based on EWEB historicals.

Commissioner Helgeson stated that he was not necessarily in favor of a Basic Charge increase.

Commissioner Mital said that he too was not in favor of a Basic Charge increase, at least not at present.

Public Input

Marilyn Cross of Eugene, and Chair of the McKenzie Clearwater Coalition, was concerned about funding running out for the Septic Assistance Program. She encouraged the Board to offer more funding for this important program. She reported that the past Saturday, when BPA connected to EWEB's new substation at Holden Creek, upriver Lane Electric customers were without power for approximately 12 hours.

Laurie Powell of Eugene, representing 350 Eugene, thanked EWEB for promoting green energy. She mentioned that the Climate Change policy on EWEB's website was dated 2007, and wondered if there were any plans to update the policy. She also said there was no explicit mention of Climate Change in EWEB's Strategic Plan. Finally, she thanked EWEB for its presence at the Friendly Neighborhood Association's Disaster Preparedness Fair.

Matt McRae of Eugene said he would like to see Climate Change as a part of EWEB's updated Strategic Plan. He thanked the Board for circling back to that conversation.

Isaac McCoy-Sulentich of Eugene stressed a sense of urgency around Climate Change in the Strategic Plan. He also said he did not think EWEB should wait until after full AMI deployment to talk about Time-of-Use Pricing.

Bob Cassidy of Eugene said he felt the Basic Charge is understood by the public, but he felt the discussion surrounding tier-collapsing was unclear. He stressed the importance of public outreach and transparency on the Board's and the Utility's part.

Commissioner Mital thanked those speaking. He said he was in support of including a Climate Change focus to the Strategic Plan.

Commissioner Simpson said he too was in favor of adding a Climate Change focus to the Strategic Plan. He agreed with Mr. McCoy-Sulentich that EWEB should not wait for full AMI deployment to have a conversation about Time of Use Pricing. Commissioner Simpson expressed support for collapsing the pricing tiers.

Vice President Carlson asked staff how much funds were allocated to the upriver septic program. Vice President Carlson also spoke in favor of including a Climate Change focus in the Strategic Plan.

Commissioner Helgeson asked Mr. Lawson to provide an official explanation of the upriver power outage. He said he was in favor of a Climate Change focus in the Strategic plan.

President Brown asserted that EWEB did plan on including a Climate Change focus in its Strategic plan. He asked Mr. Lawson if it was EWEB's responsibility to notify upriver, Lane Electric customers of the events which led to the 12-hour power outage.

Mr. Lawson said that ultimately it was either the responsibility of Lane Electric or BPA.

President Brown asked if it would be possible to write an editorial for the local upriver paper explaining the events.

Mr. Lawson said he would get in touch with Lane Electric to see what they did to communicate this event to the upriver customers.

Approval of Consent Calendar

MINUTES

- 1. a. February 6, 2018 Regular Session Amended**
- b. April 3, 2018 Executive Session**
- c. April 3, 2018 Regular Session**
- d. April 10, 2018 Executive Session**
- e. April 10, 2018 Special Meeting**

CONTRACTS

- 2. Ferguson Waterworks** - for brass fittings. \$860,000 (over 5 years).
- 3. Habitat Contracting** - for Vegetation Management Services. \$275,000 (over 5 years).
- 4. Oregon Woods, Inc.** - for Vegetation Management Services. \$275,000 (over 5 years).
- 5. Process Solutions, Inc.** - for On-Site Sodium Hypochlorite Disinfection System Equipment. \$1,285,000.
- 6. Wildish Construction Company** - for the Crenshaw 800 Pump Station Replacement. \$187,000.

RESOLUTIONS

7. Resolution No. 1808 - Conveyance of Park Property to City of Eugene

OTHER

8. Replacement of EWEB Open Access Transmission Tariff (OATT); Approval of Transmission Operations Policy and Transmission Services Policy

President Brown pulled Item 7.

Approval of Consent Calendar

Commissioner Simpson moved to approve the Consent Calendar without Item 7. The motion passed unanimously 5:0.

Items Removed From Consent Calendar

President Brown expressed concern that larger trucks would not be able to access or maneuver in the space the property in question provides.

Mr. Lawson stated EWEB had a temporary access agreement over the 16 acres of surplus property sold to the City of Eugene, until permanent access was designed and implemented by the developers. He said he would follow up on the truck access piece.

Commissioner Simpson moved to approve Consent Calendar Item 7. The motion passed unanimously 5:0.

Electric & Water 2018 Capital True-Up & Budget Amendment, Resolution No. 1814

Mr. Damewood and Mr. Price offered the Board a report and power Point presentation on the 2018 Budget True-Up, and Resolution No. 1814

Commissioner Simpson asked if the 10th & Pearl vault collapse was experienced by other utilities.

Mr. Price replied that there were water lines and telephone lines running through the vault. He announced that all cables in the collapsed vault would be redirected.

Commissioner Simpson asked if fuel storage was part of the deal for Hayden Bridge. He also wondered with fuel on site, what the run time of the generators would be.

Ms. Farthing explained that there would be approximately 1,500 gallons of diesel stored on site, which would provide a 24-hour runtime.

Commissioner Helgeson asked, as per AMI, was there a different budget assumption.

Mr. Price replied that the money going into the Capital Budget was for the smart meters only, but other associated AMI costs would eventually be drawn from the Capital Budget.

Mr. Damewood stated that the water side of the utility spent 80% of Capital Budget last year, which is lower than average.

Commissioner Mital asked if any of the fuel to be stored at the Hayden Bridge facility would be close to the river itself.

Mr. Damewood responded no.

Commissioner Mital expressed concern over the Grid Edge project relying solely on battery power. He wondered at the size of the batteries.

Mr. Price replied the first battery was one MWH of storage, with a 500kW output. He also said there was a solar panel on site.

Commissioner Helgeson moved to approve Resolution No. 1814. The motion passed unanimously 5:0

Reserve Fund Status and Transfers/Use of Reserves

Ms. Fahey and Ms. Harwood offered the Board a report and Power Point presentation on the status of reserve funds, fund transfers, and use of funds.

Commissioner Mital asked about the 2016 credit rating, which was an improvement to EWEB's credit rating; if we achieved that improvement without the additional money in the various reserve funds, why do we need to transfer funds now to maintain it?

Ms. Fahey answered that EWEB had excess funds, so when the rating agency looked at it, they said you have the funds, but want to make sure we keep those funds in the future.

Commissioner Helgeson asked if the deposits being made to the PERS fund takes the utility over the previously determined threshold.

Ms. Fahey said they would not know until November.

Mr. Lawson said he would like to take any customer dividend recommendation off the table.

President Brown, Commissioner Simpson, and Commissioner Mital all said they supported removing the customer dividend recommendation.

Break

President Brown called a break at 7:11 p.m.

President Brown reconvened the meeting at 7:26 p.m.

Customer Service Policy Proposed Revisions and Discussion

Ms. Fahey and Ms. McGaughey offered the Board a report and Power Point presentation on proposed customer service policy revisions.

Commissioner Helgeson asked if the charges were compensatory. He asked about the basis on which EWEB would charge said fees.

Ms. McGaughey said the fees themselves were mostly six years old, so she couldn't speak to their original intent, but the fees do not cover EWEB's costs, so they are not compensatory in that way.

Commissioner Simpson asked about the questions on the power Point which read, "Which fee types should be charged to customers? Any fee types recovered by customer class through cost of service allocation?" He wondered if the second question meant in lieu of fees.

Ms. Fahey said that was correct.

Commissioner Simpson said the utility might want to waive disconnect service fees for fire department callouts.

Vice President Carlson wondered why there was a range in the tampering fees of \$125 - \$500.

Ms. McGaughey responded that her understanding was EWEB always charged \$500 for tampering, but there was an appeals process for extenuating circumstances.

Commissioner Mital said he'd like to see EWEB develop a column for the AMI meters and accompanying fees. He opined there was value in incentivizing an AMI upgrade as per waiving fees for a customer should they agree to AMI installation.

President Brown agreed with Commissioner Mital about AMI incentives.

Commissioner Helgeson wondered how EWEB tested meters.

Mr. Lawson replied that EWEB used a standard and test equipment which carries a certain determined current.

Commissioner Simpson posited that excess consumption relief should not be something EWEB is involved in. He suggested EWEB rely on the no-interest loans which EWEB provides for such an instance.

Mr. Lawson said that excess consumption relief, in the event of a leak or other uncontrolled emergency, was a very inexpensive way to build customer satisfaction.

Ms. Fahey announced they would be back to talk about customer account security and infrastructure improvement fees at the June meeting. She suggested the Board consider action on the Customer Service Policy at the June meeting.

Annual Review of Strategic Plan

Mr. Lawson offered the Board a review and power Point presentation on the Strategic plan.

Commissioner Mital opined he would like to see a low-carbon goal stated explicitly on the first page of the Strategic plan (SP).

Vice President Carlson offered that she was in support of Climate Recovery/Change language in the SP, specifically how it would relate to Electric Resource Choices.

Commissioner Simpson said he would be okay with deferring changes to the "Community" aspect of the Strategic Plan to the following year. He said it was important to make a declarative statement around Climate Recovery in the SP.

Commissioner Mital expressed the importance of consistency between now and 2029 as far as the utility's stance on electrification and Climate Recovery went. He said it would behoove EWEB to not have a carbon-heavy energy portfolio in 2029.

Quarterly Strategic and Operational Report for Q1 2018

Mr. Lawson offered the Board a strategic and operational report for Q1 2018.

Vice President Carlson asked for further information on customer service in the First Quarter of 2018.

Mr. Lawson reported that there was a little trouble surrounding the changing of EWEB's payment drop mailing address. He also said EWEB was planning on a implementing a phone customer service survey.

Vice President Carlson asked about the extra staff brought on to handle that transition. She wondered if that staff would become permanent employees, or were they temporary employees.

Mr. Lawson said he did not know yet, but staff was continuing to monitor the flow of customer service.

President Brown wondered if the parent company of the company which owns EWEB's lockbox was Wells Fargo.

Ms. Fahey said it was not.

Correspondence & Board Agendas

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

Mr. McCann offered the Board an update on the Record of Decision for the Walterville Canal.

President Brown asked how EWEB received permission to work in the river during salmon migration.

Mr. McCann said EWEB's efforts were beneficial to salmon, and their work in the river had been well received.

Commissioner Simpson wondered why EWEB would remove all the water from the Walterville canal, and why an announcement would need to be made to that end.

Mr. McCann replied that removing the water completely from the Leaburg canal could cause misting on the road, so EWEB does not remove all the canal water, just some of it. He said the announcement was due to the effect of river rise which occurred when water was removed from the canal.

Board Wrap Up

Vice President Carlson announced she attended the SMUD presentation.

Commissioner Simpson said he attended the resiliency meeting.

President Brown announced the EWEB mobile water purification unit was very close to operational.

Adjourn

President Brown adjourned the meeting at 9:00 p.m.

Assistant Secretary

President

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a contract with **ALTEC Industries Inc.** for **the purchase of an Insulated, Over-Center, Material Handling Bucket Truck.**

Board Meeting Date: June 5, 2018

Project Name/Contract#: Bucket Truck / RFP 024-2018

Primary Contact: Rod Price Ext. 7122

Purchasing Contact: Ramie Alkire Ext. 7413

Contract Amount:

Original Contract Amount: \$ 364,000

Additional \$ Previously Approved: \$ N/A

Invoices over last approval: \$ N/A

Percentage over last approval: N/A %

Amount this Request: \$ 364,000

Resulting Cumulative Total: \$ **364,000**

Contracting Method:

Method of Solicitation: Formal RFP

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 No

Proposals/Bids Received (Range): 2 (\$330,056 - \$363,642)

Selection Basis: Highest Ranked Proposer

The Board is being asked to approve a new contract with **ALTEC Industries** of Dixon, CA for the purchase of **an Insulated, Over-Center, Material Handling Bucket Truck (Bucket Truck).**

EWEB requires a Bucket Truck for use by the Electric Line Crews. This truck will replace an existing bucket truck that is at the end of its useful life expectancy. The truck is configured in a manner that allows our crews to have consistent material handling capabilities. The truck will be configured in accordance with EWEB specifications as outlined in the bidding document. The vehicle has a useful life expectancy of 13-15 years.

In April 2018, EWEB issued a Formal Request for Proposals (RFP) for the purchase of the Bucket Truck. Staff reached out to three companies that were capable of performing the work in advance of the closing date.

EWEB received two (2) responses to the overall RFP: (1) ALTEC Industries, of Dixon, CA and (2) Versalift Northwest LLC, of Waco, TX. The two responses were evaluated based on the evaluation criteria defined in the RFP which included proposed product and compliance with specifications; references; and pricing proposals.

ALTEC Industries was found to be responsive and responsible and received the highest score in the evaluation of the proposals. They scored highest in the proposed product and compliance with specifications criteria. The other proposer took exception to significant areas of the specifications including proposing a lighter duty aerial unit (bucket) than what was specified.

ACTION REQUESTED:

Management requests the Board approve a new contract with **ALTEC Industries** of Dixon, CA for the purchase of an **Insulated, Over-Center, Material Handling Bucket Truck**. This purchase was budgeted for 2018. The Electric Capital budget is \$37.6 million for 2018.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Supervisor: _____

Executive Officer: _____

Board Approval Date: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a contract with **Anixter** for **Primary and Secondary Conductor**.

Board Meeting Date: June 5, 2018

Project Name/Contract#: Primary & Secondary Conductor / RFP 021-2018

Primary Contact: Rod Price Ext. 7122

Purchasing Contact: Ramie Alkire Ext. 7413

Contract Amount:

Original Contract Amount: \$ 1,350,000 (Over 5 years)

Additional \$ Previously Approved: \$ N/A

Invoices over last approval: \$ N/A

Percentage over last approval: N/A %

Amount this Request: \$ 1,350,000

Resulting Cumulative Total: \$ 1,350,000

Contracting Method:

Method of Solicitation: Formal RFP

If applicable, basis for exemption: N/A

Term of Agreement: June 5, 2018 – June 4, 2023

Option to Renew? Annually up to 5 years

Approval for purchases "*as needed*" for the life of the contract Yes

Proposals/Bids Received (Range): 3 (\$260,250 - \$1,400,000 – Over five years. Lowest price range reflects proposer who only bid on 15% of items)

Selection Basis: Highest Ranked Proposer

The Board is being asked to approve a new contract with **Anixter** of Portland, Oregon for the purchase of Primary and Secondary Conductor on an as needed basis. EWEB requires Primary and Secondary Conductor for line failure replacement and for new construction.

In April 2018, EWEB issued a Formal Request for Proposals (RFP) to establish a price agreement for the purchase of Primary and Secondary Conductor. The RFP was organized in two Lots: Lot 1 for Primary & Secondary Conductor, and Lot 2 for 15kV Ethylene Propylene Rubber (EPR) Insulated Conductor. Staff reached out to four companies in advance of the closing date.

EWEB received three (3) responses: (1) WESCO Distribution of Portland, OR; (2) Anixter of Portland, OR; and (3) Midal Cables of Ontario, Canada. The responses were evaluated based on the evaluation criteria stated in the RFP which consisted of Inventory, warehousing, lead time, and ability to supply during an emergency; Technical Assistance/Training; Warranty; Sustainability; Pricing; and Compliance with Specifications, Experience, and References.

Anixter was found to be responsive and received the highest score in the evaluation of proposals for Lot 1: Primary and Secondary Conductor. They scored high in pricing and compliance with specifications. Historical procurement data suggests that the total contract amount will be approximately \$1,350,000 over the total five-year period. The actual total dollar amount, however, is unknown and may be more or less than that estimated volume. Purchases will be based on need and not on any specific annual quantity. The annual cost will be within the amount budgeted for that specific year.

ACTION REQUESTED:

Management requests the Board approve a new contract with **Anixter** of Portland, Oregon for the purchase of Primary and Secondary Conductor on an as needed basis. These purchases will be budgeted annually, the Electric Capital budget is \$37.6 million for 2018.

SIGNATURES:

Project Coordinator: _____
Manager: _____
Purchasing Supervisor: _____
Executive Officer: _____
Board Approval Date: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a Construction Contract with **Durbin Excavating, LLC** for the **Roosevelt Operations Center (ROC) Consolidation Project – Parking Lot Expansion**.

Board Meeting Date: June 5, 2017

Project Name/Contract#: ROC Consolidation Project / Parking Lot Expansion - ITB #023-2018

Primary Contact: Rod Price Ext. 7122

Purchasing Contact: Tracy Davis Ext. 7468

Contract Amount:

Original Contract Amount: \$320,000

Additional \$ Previously Approved: \$0

Invoices over last approval: \$0

Percentage over last approval: 0 %

Amount this Request: \$320,000

Resulting Cumulative Total: \$320,000

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 No

Proposals/Bids Received (Range): 4 responses (\$320,000 - \$355,000)

Selection Basis: **Lowest responsive and responsible bidder**

Narrative:

The Board is being asked to approve a Construction Contract with **Durbin Excavating, LLC** for the **Roosevelt Operations Center (ROC) Consolidation Project – Parking Lot Expansion**.

With the ROC consolidation efforts, many of EWEB's remaining staff working out of the downtown headquarters building will be moving to work from the Roosevelt Operations Center (ROC) site located at 4200 Roosevelt Blvd. When the ROC was constructed in 2010, there were 281 spaces provided for 307 full time employees (FTE) in the north employee parking lot based on employee parking methodology practices.

There are projected to be 95 FTE moving from the downtown headquarters site to work at the ROC site, creating the need to expand employee parking. Using the same methodology applied from the original employee parking study in 2010, it was determined the new parking expansion will need to create an additional 79 parking spaces. To accomplish this, the ROC employee parking lot will be expanded east of the existing parking lot by adding 2 additional parking bays in a similar design to the existing parking lot. The expanded parking area is approximately 1.0 acre in size.

Staff issued a Formal Invitation to Bid in April, 2018. EWEB received four (4) bids, the lowest responsive and responsible bid was received from **Durbin Excavating of Eugene, Oregon**. Bids were also received from: Delta Construction of Eugene, Oregon; Eugene Sand Construction of Eugene, Oregon; and Wildish Construction Company of Eugene, Oregon. If approved, **Durbin Excavating** will provide construction services as specified in the solicitation documents.

ACTION REQUESTED:

Management requests the Board approve a Construction Contract with **Durbin Excavating, LLC** for the **Roosevelt Operations Center (ROC) Consolidation Project – Parking Lot Expansion**. Funds for this work were budgeted for in 2018, and are included in the Capital Improvement Plan for 2018. The 2018 budget for this work is \$600,000.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Supervisor: _____

Executive Officer: _____

Board Approval Date: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a Price Agreement with **Northstar Chemical** for **Liquid Caustic Soda Membrane Grade 50%**.

Board Meeting Date: June 5, 2018

Project Name/Contract#: Liquid Caustic Soda / ITB 028-2018

Primary Contact: Mel Damewood Ext. 7145

Purchasing Contact: Collin Logan Ext. 7426

Contract Amount:

Original Contract Amount: \$630,000 (over a five-year contract)

Additional \$ Previously Approved: \$0

Invoices over last approval: \$0

Percentage over last approval: 0 %

Amount this Request: \$630,000

Resulting Cumulative Total: \$630,000

Contracting Method:

Method of Solicitation: Formal Invitation to Bid

If applicable, basis for exemption: N/A

Term of Agreement: 5-Years

Option to Renew? Yes

Approval for purchases "as needed" for the life of the contract Yes

Proposals/Bids Received (Range): 4 responses (\$630,000 - \$725,000)

Selection Basis: Lowest responsive and responsible bidder

Narrative:

The Board is being asked to approve a new contract with **Northstar Chemical** for **water treatment chemicals (Liquid Caustic Soda)** to be purchased on an as-needed basis for use at the Hayden Bridge Filtration Plant.

EWEB's Water Filtration Plant requires pH balance at a target pH value to meet the water quality standards of the U.S. Environmental Protection Agency (40 CFR Part 141 Subpart 1) and the Oregon Health Authority (OAR 333-061). Liquid Caustic Soda allows for fine-tuned adjustments of the finished water to meet that targeted value.

In May 2018, Staff issued an Invitation to Bid to establish a price agreement for the purchase of Liquid Caustic Soda. EWEB received responses from Northstar Chemical of Sherwood, OR; Cascade Columbia Distribution Company of Seattle, WA, Brenntag Pacific of Santa Fe Springs, CA, and Univar of Kent, WA. Northstar Chemical was determined to be the lowest responsive and responsible bidder.

Historical procurement data suggests that the total contract amount will be approximately \$630,000 over the total five-year period. The actual total dollar amount, however, is unknown and may be more or less than that estimated volume. Purchases will be based on need and not on any specific annual quantity and will be within the amount budgeted for the year.

ACTION REQUESTED:

Management requests the Board approve a Price Agreement with **Northstar Chemical** for **Liquid Caustic Soda Membrane Grade 50%**. Funds for this purchase were budgeted for 2018, the total Water Utility Operations and Maintenance Budget is \$19.1 Million.

SIGNATURES:

Project Coordinator: _____

Executive Team Member: _____

Purchasing Manager: _____

Board Approval Date: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a Professional Services Agreement with **R2 Resource Consultants Inc.** for an alternatives analysis of trap and haul upstream fish passage facilities.

Board Meeting Date: June 5, 2018
Project Name/Contract#: Trail Bridge Dam Trap and Haul Alternatives Analysis/Contract # 18-2676Q
Primary Contact: Susan Ackerman Ext. 7185
Purchasing Contact: Sandra Hahn Ext. 7163

Contract Amount:

Original Contract Amount: \$ 200,000
Additional \$ Previously Approved: \$ n/a
Invoices over last approval: \$ n/a
Percentage over last approval: n/a %
Amount this Request: \$ 200,000
Resulting Cumulative Total: \$ 200,000

Contracting Method:

Method of Solicitation: Informal Qualification Based Selection followed by direct negotiations
If applicable, basis for exemption: n/a
Term of Agreement: Completion by October 05, 2018
Option to Renew? n/a
Approval for purchases "as needed" for the life of the contract No
Proposals/Bids Received (Range): Four Qualifications Proposals Received, Pricing Only Requested by highest ranked offeror
Selection Basis: Qualifications Based Selection (QBS); Negotiated Cost.

Narrative:

The Board is being asked to approve a new contract with **R2 Resource Consultants Inc.** of Redmond, Washington for the purchase of engineering and related consulting services for the purpose of completing options analysis and preliminary (5%) design on Carmen Smith proposed trap and haul location.

EWEB requires these services on the Carmen Smith License Implementation program. Contract objectives are to evaluate alternatives and select a preferred concept design for the trap and haul upstream fish passage facilities required by the 2016 Amended and Restated Settlement Agreement. This information will be used to define the scope of the final design services to be solicited in the fall of 2018, and for budgeting and planning purposes.

Contracted services include engineering investigations and calculations, concept drawings of the preferred alternative, project cost estimate and estimated schedule, and a report documenting the evaluation process.

Staff completed an Informal Request for Proposals (RFP) Qualifications Based Selection (QBS) process. The RFP was sent to four qualified firms in August 2016. EWEB received four proposals from CH2M (now Jacobs Engineering), of Corvallis, OR; R2 Resource Consultants, of Redmond, WA; Kleinschmidt Group, of Portland, OR; and HDR Inc., of Seattle, WA. The responses were evaluated using the QBS selection process; qualifications of the firms were evaluated including the company's experience, references, and past performance. The proposals were ranked, and pricing was requested from the highest ranked offeror in alignment with the QBS process. R2 was selected and negotiations began in the fall of 2016. Negotiations with R2 were put on hold in early 2017 pending completion of additional settlement agreement negotiations. Negotiations resumed in spring 2018, and are now complete.

ACTION REQUESTED:

Management requests the Board approve a Professional Services Agreement with R2 Resource Consultants Inc. for an alternatives analysis of trap and haul upstream fish passage facilities. Funds for these services were budgeted for 2018. The Electric Utility Capital budget for Carmen Smith Relicensing in 2018 is \$13.7 Million.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Supervisor: _____

Executive Officer: _____

Board Approval Date: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a contract with **WESCO Distribution** for **15kV Ethylene Propylene Rubber (EPR) Conductor**.

Board Meeting Date: June 5, 2018

Project Name/Contract#: Primary & Secondary Conductor / RFP 021-2018

Primary Contact: Rod Price Ext. 7122

Purchasing Contact: Ramie Alkire Ext. 7413

Contract Amount:

Original Contract Amount: \$ 3,900,000 (Over 5 years)

Additional \$ Previously Approved: \$ N/A

Invoices over last approval: \$ N/A

Percentage over last approval: N/A %

Amount this Request: \$ 3,900,000

Resulting Cumulative Total: \$ 3,900,000

Contracting Method:

Method of Solicitation: Formal RFP

If applicable, basis for exemption: N/A

Term of Agreement: June 5, 2018 – June 4, 2023

Option to Renew? Annually up to 5 years

Approval for purchases "as needed" for the life of the contract Yes

Proposals/Bids Received (Range): 2 (\$3.5 million – 3.9 million, over five years)

Selection Basis: Highest Ranked Proposer

The Board is being asked to approve a new contract with **WESCO Distribution** of Portland, Oregon for the purchase of 15kV Ethylene Propylene Rubber (EPR) Insulated Conductor on an as needed basis. EWEB requires Primary and Secondary and EPR insulated Conductor for line failure replacement and for new construction.

In April 2018, EWEB issued a Formal Request for Proposals (RFP) to establish a price agreement for the purchase of Primary and Secondary Conductor. The RFP was organized in two Lots: Lot 1 for Primary & Secondary Conductor, and Lot 2 for 15kV EPR Insulated Conductor. Staff reached out to four companies in advance of the closing date.

EWEB received three (3) responses to the overall RFP: (1) WESCO Distribution of Portland, OR; (2) Anixter of Portland, OR; and (3) Midal Cables of Ontario, Canada. Midal Cables did not bid on Lot 2. The two responses were evaluated based on the evaluation criteria stated in the RFP which consisted of Inventory, warehousing, lead time, and ability to supply during an emergency; Technical Assistance/Training; Warranty; Sustainability; Pricing; and Compliance with Specifications, Experience, and References.

WESCO Distribution was found to be responsive and received the highest score in the evaluation of proposals for Lot 2: 15kV EPR Insulated Conductor. They scored high in the Inventory and warehousing criteria, warranty criteria, and compliance with specifications criteria. Historical procurement data suggests that the total contract amount will be approximately \$3,900,000 over the total five-year period. The actual total dollar amount, however, is unknown and may be more or less than that estimated volume. Purchases will be based on need and not on any specific annual quantity. The annual cost will be within the amount budgeted for that specific year.

ACTION REQUESTED:

Management requests the Board approve a new contract with **WESCO Distribution** of Portland, Oregon for the purchase of 15kV Ethylene Propylene Rubber (EPR) Insulated Conductor on an as needed basis. The purchases will be budgeted annually, the Electric Capital budget is \$37.6 million for 2018.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Supervisor: _____

Executive Officer: _____

Board Approval Date: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve an Intergovernmental Agreement with **City of Eugene** for **Water Pipeline Crossings on Pedestrian Bridges over Amazon Creek**.

Board Meeting Date: June 5, 2018

Project Name/Contract#: Water Pipeline Crossings on Pedestrian Bridges over Amazon Creek/ IGA 18-0003

Primary Contact: Mel Damewood Ext.7145

Purchasing Contact: Collin Logan Ext.7486

Contract Amount:

Original Contract Amount: \$190,000

Additional \$ Previously Approved: \$0

Invoices over last approval: \$0

Percentage over last approval: 0 %

Amount this Request: \$190,000

Resulting Cumulative Total: \$190,000

Contracting Method:

Method of Solicitation: Intergovernmental Agreement

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 No

Proposals/Bids Received (Range): _____

Selection Basis: _____

Narrative:

This project will replace three existing pipeline crossings currently installed under Amazon Creek which are being replaced with two new pipelines to be attached underneath the City's new pedestrian bridges at Dillard Road and 37th Street. Since the original pipes were installed, the creek bed has eroded significantly. EWEB's pipelines are now exposed, posing a risk to infrastructure integrity. EWEB investigated possible solutions, including boring new pipelines under Amazon Creek or constructing pipe bridges. Both of these options are subject to substantial construction costs (design engineering, materials, labor, and permits).

EWEB contacted the City of Eugene to explore the possibility of partnering on their planned pedestrian bridge crossings. By partnering with the City of Eugene on this project, EWEB is able to significantly reduce the costs to replace our at-risk pipelines across Amazon Creek as well as reduce construction impacts to the community. The new pipelines and bridges are designed and will be built to resist seismic forces. EWEB will reimburse the City for the installation of two new pipelines attached to the bridges spanning Amazon Creek. Eventually, EWEB will abandon all three of the old, exposed pipelines.

Staff developed an Inter-Governmental Agreement collaboratively with the City and it was approved and signed by the City Manager on May 16, 2018. EWEB's drawings and specifications will be included with the City's solicitation in June 2018. If this IGA is approved and the bids are within the Not to Exceed amount of \$190,000, EWEB will approve awarding the work to the City's contractor.

ACTION REQUESTED:

Management requests the Board approve an Intergovernmental Agreement with **the City of Eugene** for **Water Pipeline Crossings on Pedestrian Bridges over Amazon Creek**. Funds for this work were budgeted for 2018, and are included in the Capital Improvement Plan for 2018, the Capital Budget for Water is \$13.7 Million.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Supervisor: _____

Executive Officer: _____

Board Approval Date: _____



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Carlson, Mital, Simpson and Helgeson
FROM: Rene Gonzalez, Customer Solutions Manager; Jeannine Parisi, Customer Relationship Manager
DATE: May 25, 2018
SUBJECT: Lane Community College Education Grant Update
OBJECTIVE: Board Action

Issue

Management seeks Board direction on proposed changes to the community education grant program specific to funding Lane Community College for the Fall 2018/Spring 2019 school year.

Background

Lane Community College (LCC) is one of five educational institutions that receives EWEB grant funding for science-based curriculum, instruction and hands-on learning for area students. Our two agencies have an inter-governmental agreement (IGA) whereby EWEB provides \$70,000 per year in funding to help support the college's two-year energy management, buildings control technician and water conservation programs.

As described in the November 2017 Board memo, low unemployment rates have a direct impact on technical program enrollment at community colleges. Even with the ability to offer the curriculum to more students in the region on-line, under-enrollment is a continuing challenge.

Discussion

Recognizing the limited reach of the grant under current circumstances, EWEB and LCC representatives met to discuss alternative approaches that could yield a higher value proposition and more direct nexus to EWEB's strategic priorities. LCC suggested an EWEB-sponsored scholarship that would help support prospective energy management students with their first year's tuition expenses (about \$6000). To be eligible to receive the scholarship, the student would need to show residency in EWEB service territory, demonstrate financial need, and the academic capability to succeed in the program. If there were more eligible students than scholarships available, preference would be given to non-traditional and under-represented students.

Three alternatives are provided for Board consideration:

1. Status Quo: Continue bi-annual payments to LCC consistent with the current IGA, which runs through September 2020. The next payment of \$35,000 is due in July.

2. **Modify:** Amend the LCC Agreement to create a scholarship program not to exceed \$25,000 per year. Grant funds would be directed towards a tuition scholarship that would support students, up to \$5,000, with their first year program expenses. Actual expenditures would be dependent on the number of scholarship applicants meeting the eligibility requirements.
3. **Discontinue Grant Funding:** Per the IGA, EWEB's obligation to make semi-annual grant payments is contingent upon Board approval of future annual appropriations. The Board could direct staff to remove LCC funding from the 2019 budget, and the last semi-annual grant payment would be provided in this July.

TBL Assessment

None conducted but some observations are provided. Compared to the education grants provided to our K-12 partners, the dollar per student ratio is currently exceedingly low for the LCC program. On the other hand, when the economy was poor, the student participation was much higher, up to 90 students in one year. Students who graduate from LCC's energy management program enjoy very high placement rates in a variety of well-paid positions, like energy analysts and commercial building controls specialists. Transitioning the grant to a scholarship program for students with financial need has a more direct impact with a focused social equity component. Reducing the annual contribution from \$70,000 to \$25,000 aligns with EWEB's affordability initiative.

Recommendation

Management recommends the Board modify its Agreement with LCC as proposed to establish a tuition scholarship not to exceed \$25,000 for the 2018/2019 school year. With this direction, staff would further develop the application, marketing, screening and payment process, and a year-end evaluation would form the basis for whether EWEB continues the scholarship through the end of the IGA term (2020).

Requested Board Action

Move approval to modify the LCC community education grant Agreement to provide a tuition scholarship of up to \$25,000 for the upcoming school year with a re-evaluation in June 2019.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Carlson, Mital, Simpson and Helgeson
FROM: Sue Fahey, Chief Financial Officer; Deborah Hart, Interim Finance Manager;
TiaMarie Harwood, Interim General Accounting Supervisor
DATE: May 24, 2018
SUBJECT: Reserve Transfers/Use of Reserves & Financial Policies Update
OBJECTIVE: Board Action – Approval of Resolution Nos 1815 & 1817

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 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. In June 2017, the Board approved an update to the Financial Policies. One of the revisions was to increase the Electric Utility Days Cash target in order to align with industry standards for an AA bond rating. The Electric Working Cash target, however, was not adjusted to align with the increased Days Cash target. In conjunction with requesting approval of reserve transfers, Management is also requesting that the Board approve an increase in the Electric Working Cash target from \$24 million to \$36 million so that financial targets all consistently align to retain an AA bond rating.

For both the Electric and Water Utilities, the cash balances at December 31, 2017 were higher than target due to budgeted and planned for reserve deposits, as well as positive budget variances.

Discussion

Since late 2017, there have been several internal and external developments that have the potential to impact EWEB's financial position and financial flexibility.

- In December 2017, the Board approved joining the State and Local Government Rate Pool in order to mitigate risks associated with PERS. EWEB's transition liability (TL) is unknown at this time and will not be available until fall of 2018. The most recently calculated TL was approximately \$26 million. It will carry a cost of 7.2% until paid in full.
- During the 2018 session, the Oregon Legislative Assembly established an Employer Incentive Fund for the purposes of providing a match for portions of certain lump sum deposits of employer PERS contributions. Although all of the details are not yet known, EWEB will be eligible to apply in the first application window and would be eligible for a

match up to 25% of a qualifying deposit. Current information indicates that EWEB's maximum qualifying deposit is approximately \$6 million.

- Customer Solutions has begun research into Limited Income and rental unit energy efficiency programs. The needs of those programs have not been determined.
- The Board recently adopted an opt-out policy for advanced metering. In order to roll out meters over an 8 year period, the capital plan will require funding for meters.

Given the uncertainty around the timing and amounts of these potential uses for cash, Management is recommending that the Board only approve transfers to the Pension and Post-Retirement Medical Fund as required by Financial Policy 1.4 and to the capital reserve to support future infrastructure replacement. Management is recommending leaving Working Cash above target until more information is known and decisions are made later in the year. Another option would be to transfer the amount above target to the Rate Stabilization Fund. In accordance with bond covenants, transfers to the Rate Stabilization Fund negatively impact the debt service coverage ratio. Since it is likely that cash will be needed in 2018 to support strategic objectives and mitigate risks, Management is not recommending that option.

Attachments 1 and 2 provide detail on recommended transfers for the Water and Electric Utilities, respectively. Management's rationale for the recommendations are summarized below and has not changed from the May Board meeting recommendation.

Water Utility

A) Working Cash

Management recommends transferring \$3.2 million in excess of target to the Capital Improvement Reserve and Pension & Post-Retirement Medical Fund. Working Cash will remain \$4 million above target.

B) Capital Improvement Reserve

Management recommends transferring \$2.5 million from Working Cash for additional capital needs to support meter installations in 2019 and 2020. It is expected that by 2021, operational efficiencies will be achieved which will offset the customer impact of increased capital costs.

C) Pension & Post-Retirement Medical Fund

PERS costs were lower than budgeted by \$682,000. Board Financial Policies require this variance to be transferred to this fund. Management is scheduled to make a recommendation on the use of these funds at the November Board meeting.

Electric Utility

A) Working Cash

Management recommends transferring \$7.0 million in excess of target to the Capital Improvement Reserve and Pension & Post-Retirement Medical Fund. Working Cash will remain \$13 million above the current target. If the Board approves increasing the target to \$36 million, Working Cash would be \$1 million above target.

B) Capital Improvement Reserve

The May 2018 capital true-up budget amendment indicates that \$2.5 million of capital reserves are needed to fund the 2018 capital plan, and meter installation costs are anticipated to be \$2.2 million in 2019. Management recommends transferring \$4.7 million from Working Cash to cover the additional capital expenditures.

C) Pension & Post-Retirement Medical Fund

PERS costs were lower than budgeted by \$2.3 million. Board Financial Policies require this variance to be transferred to this fund from excess Working Cash. Management is scheduled to make a recommendation on the use of these funds at the November Board meeting.

Recommendation and Requested Board Action

Management recommends approval of Resolution No. 1815, authorizing cash transfers and use of cash. Management also recommends approval of Resolution No. 1817, 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 1
Water Utility Schedule of Cash Reserves

	FINANCIAL POLICY		BALANCE 12/31/2017	RECOMMENDED	
	REFERENCE	TARGET ¹		USE OF CASH	BALANCE AFTER
Working Cash	Rate Sufficiency	\$ 3,400,000	\$ 10,610,632	\$ (3,182,000)	\$ 7,428,632

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	7,889,164	2,500,000	10,389,164
Rate Stabilization Fund	Rate Stability	1,000,000	1,307,263	-	1,307,263
Water Stewardship Fund- Septic Repairs		-	88,435	-	88,435
Business Growth & Retention Loan Fund		-	186,705	-	186,705
Alternate Water Supply Fund		-	6,308,060	-	6,308,060
Pension & Post Retirement Medical Fund		-	4,389,312	682,000	5,071,312
DESIGNATED FUNDS TOTAL		\$ 9,280,000	\$ 21,469,835	\$ 3,182,000	\$ 24,651,835
CASH & DESIGNATED FUNDS TOTAL		\$ 12,680,000	\$ 32,080,467	\$ -	\$ 32,080,467

1. Targets per Financial Policies adopted at June 6, 2017 Board meeting.

ATTACHMENT 2
Electric Utility Schedule of Cash Reserves

	FINANCIAL POLICY		BALANCE	RECOMMENDED	BALANCE
	REFERENCE	TARGET ¹	12/31/2017	TRANSFER TO/(FROM)	AFTER
Working Cash	Rate Sufficiency	\$ 24,000,000	\$ 44,014,801	\$ (6,993,000)	\$ 37,021,801

DESIGNATED FUNDS

Operating Reserve	Rate Stability	\$ 2,000,000	\$ 2,082,704	\$ -	\$ 2,082,704
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	\$ 22,414,827	\$ 4,700,000	27,114,827
Rate Stabilization Fund	Rate Stability	\$ 5,000,000	\$ 31,298,759	\$ -	31,298,759
Business Growth & Retention Loan Fund		\$ -	\$ 1,967,570	\$ -	1,967,570
Pension & Post Retirement Medical Fund		\$ -	\$ 13,849,929	\$ 2,293,000	16,142,929
DESIGNATED FUNDS TOTAL		\$ 47,720,000	\$ 90,387,764	\$ 6,993,000	\$ 97,380,764
CASH & DESIGNATED FUNDS TOTAL		\$ 71,720,000	\$ 134,402,565	\$ -	\$ 134,402,565

1. Targets per Financial Policies adopted at June 6, 2017 Board meeting. Management has proposed an increase in the Working Cash target from \$24 million to \$36 million.

**RESOLUTION NO. 1815
JUNE 2018**

**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 2017 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 do the following transfers:

Water Utility

- 1) \$2,500,000 from Working Cash to the Capital Improvement Reserve
- 2) \$682,000 from Working Cash to the Pension & Post-Retirement Medical Fund

Electric Utility

- 1) \$4,700,000 from Working Cash to the Capital Improvement Reserve
- 2) \$2,293,000 from Working Cash to the Pension & Post-Retirement Medical Fund

Dated this 5th day of June 2018

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 5, 2018 Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Carlson, Mital, Simpson and Helgeson
FROM: Sue Fahey, Chief Financial Officer; Deborah Hart, Interim Finance Manager;
TiaMarie Harwood, Interim General Accounting Supervisor
DATE: May 24, 2018
SUBJECT: Reserve Transfers/Use of Reserves & Financial Policies Update
OBJECTIVE: Board Action – Approval of Resolution Nos 1815 & 1817

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 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. In June 2017, the Board approved an update to the Financial Policies. One of the revisions was to increase the Electric Utility Days Cash target in order to align with industry standards for an AA bond rating. The Electric Working Cash target, however, was not adjusted to align with the increased Days Cash target. In conjunction with requesting approval of reserve transfers, Management is also requesting that the Board approve an increase in the Electric Working Cash target from \$24 million to \$36 million so that financial targets all consistently align to retain an AA bond rating.

For both the Electric and Water Utilities, the cash balances at December 31, 2017 were higher than target due to budgeted and planned for reserve deposits, as well as positive budget variances.

Discussion

Since late 2017, there have been several internal and external developments that have the potential to impact EWEB's financial position and financial flexibility.

- In December 2017, the Board approved joining the State and Local Government Rate Pool in order to mitigate risks associated with PERS. EWEB's transition liability (TL) is unknown at this time and will not be available until fall of 2018. The most recently calculated TL was approximately \$26 million. It will carry a cost of 7.2% until paid in full.
- During the 2018 session, the Oregon Legislative Assembly established an Employer Incentive Fund for the purposes of providing a match for portions of certain lump sum deposits of employer PERS contributions. Although all of the details are not yet known, EWEB will be eligible to apply in the first application window and would be eligible for a

match up to 25% of a qualifying deposit. Current information indicates that EWEB's maximum qualifying deposit is approximately \$6 million.

- Customer Solutions has begun research into Limited Income and rental unit energy efficiency programs. The needs of those programs have not been determined.
- The Board recently adopted an opt-out policy for advanced metering. In order to roll out meters over an 8 year period, the capital plan will require funding for meters.

Given the uncertainty around the timing and amounts of these potential uses for cash, Management is recommending that the Board only approve transfers to the Pension and Post-Retirement Medical Fund as required by Financial Policy 1.4 and to the capital reserve to support future infrastructure replacement. Management is recommending leaving Working Cash above target until more information is known and decisions are made later in the year. Another option would be to transfer the amount above target to the Rate Stabilization Fund. In accordance with bond covenants, transfers to the Rate Stabilization Fund negatively impact the debt service coverage ratio. Since it is likely that cash will be needed in 2018 to support strategic objectives and mitigate risks, Management is not recommending that option.

Attachments 1 and 2 provide detail on recommended transfers for the Water and Electric Utilities, respectively. Management's rationale for the recommendations are summarized below and has not changed from the May Board meeting recommendation.

Water Utility

A) Working Cash

Management recommends transferring \$3.2 million in excess of target to the Capital Improvement Reserve and Pension & Post-Retirement Medical Fund. Working Cash will remain \$4 million above target.

B) Capital Improvement Reserve

Management recommends transferring \$2.5 million from Working Cash for additional capital needs to support meter installations in 2019 and 2020. It is expected that by 2021, operational efficiencies will be achieved which will offset the customer impact of increased capital costs.

C) Pension & Post-Retirement Medical Fund

PERS costs were lower than budgeted by \$682,000. Board Financial Policies require this variance to be transferred to this fund. Management is scheduled to make a recommendation on the use of these funds at the November Board meeting.

Electric Utility

A) Working Cash

Management recommends transferring \$7.0 million in excess of target to the Capital Improvement Reserve and Pension & Post-Retirement Medical Fund. Working Cash will remain \$13 million above the current target. If the Board approves increasing the target to \$36 million, Working Cash would be \$1 million above target.

B) Capital Improvement Reserve

The May 2018 capital true-up budget amendment indicates that \$2.5 million of capital reserves are needed to fund the 2018 capital plan, and meter installation costs are anticipated to be \$2.2 million in 2019. Management recommends transferring \$4.7 million from Working Cash to cover the additional capital expenditures.

C) Pension & Post-Retirement Medical Fund

PERS costs were lower than budgeted by \$2.3 million. Board Financial Policies require this variance to be transferred to this fund from excess Working Cash. Management is scheduled to make a recommendation on the use of these funds at the November Board meeting.

Recommendation and Requested Board Action

Management recommends approval of Resolution No. 1815, authorizing cash transfers and use of cash. Management also recommends approval of Resolution No. 1817, 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 1
Water Utility Schedule of Cash Reserves

	FINANCIAL POLICY		BALANCE	RECOMMENDED	BALANCE
	REFERENCE	TARGET ¹	12/31/2017	USE OF CASH	AFTER
Working Cash	Rate Sufficiency	\$ 3,400,000	\$ 10,610,632	\$ (3,182,000)	\$ 7,428,632

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	7,889,164	2,500,000	10,389,164
Rate Stabilization Fund	Rate Stability	1,000,000	1,307,263	-	1,307,263
Water Stewardship Fund- Septic Repairs		-	88,435	-	88,435
Business Growth & Retention Loan Fund		-	186,705	-	186,705
Alternate Water Supply Fund		-	6,308,060	-	6,308,060
Pension & Post Retirement Medical Fund		-	4,389,312	682,000	5,071,312
DESIGNATED FUNDS TOTAL		\$ 9,280,000	\$ 21,469,835	\$ 3,182,000	\$ 24,651,835
CASH & DESIGNATED FUNDS TOTAL		\$ 12,680,000	\$ 32,080,467	\$ -	\$ 32,080,467

1. Targets per Financial Policies adopted at June 6, 2017 Board meeting.

ATTACHMENT 2
Electric Utility Schedule of Cash Reserves

	FINANCIAL POLICY		BALANCE	RECOMMENDED	BALANCE
	REFERENCE	TARGET ¹	12/31/2017	TRANSFER TO/(FROM)	AFTER
Working Cash	Rate Sufficiency	\$ 24,000,000	\$ 44,014,801	\$ (6,993,000)	\$ 37,021,801

DESIGNATED FUNDS

Operating Reserve	Rate Stability	\$ 2,000,000	\$ 2,082,704	\$ -	\$ 2,082,704
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	\$ 22,414,827	\$ 4,700,000	27,114,827
Rate Stabilization Fund	Rate Stability	\$ 5,000,000	\$ 31,298,759	\$ -	31,298,759
Business Growth & Retention Loan Fund		\$ -	\$ 1,967,570	\$ -	1,967,570
Pension & Post Retirement Medical Fund		\$ -	\$ 13,849,929	\$ 2,293,000	16,142,929
DESIGNATED FUNDS TOTAL		\$ 47,720,000	\$ 90,387,764	\$ 6,993,000	\$ 97,380,764
CASH & DESIGNATED FUNDS TOTAL		\$ 71,720,000	\$ 134,402,565	\$ -	\$ 134,402,565

1. Targets per Financial Policies adopted at June 6, 2017 Board meeting. Management has proposed an increase in the Working Cash target from \$24 million to \$36 million.



Eugene Water & Electric Board

Rely on us.

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
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.

	<u>Performance Standard</u>
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:

	Performance Standard
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	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	<u>\$83,720,000</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. 1817
JUNE 2018**

**EUGENE WATER & ELECTRIC BOARD
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 reviewed year-end results;

WHEREAS, the Financial Policies have been reviewed and updated based on 2017, year-end results, the Board's targets, associated financial metrics, and accounting standards.

WHEREAS, the Board of Commissioners has reviewed revisions to Financial Policies and has determined that the revisions are appropriate and necessary.

THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the General Manager to adopt and enforce the Financial Policies as updated.

Dated this 5th day of June 2018.

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 5, 2018 Board Meeting.

Assistant Secretary