



The following questions have been posed by Commissioners prior to the scheduled Board Meeting on April 2, 2019. Staff responses are included below, and are sorted by Agenda topic.

2018 Year-end Audited Financial Statements and Management Letter

Local Government Investment Pool – (FAHEY) It appears we are approaching our limit and have some concentration risk for the Local Government Investment Pool (LGIP). Do we have other options? Is the LGIP diversified and who operates those investments? What drives our decision to invest so heavily in LGIP?

RESPONSE: The LGIP, which is administered by the state treasurer's office, exists to provide a short-term investment vehicle for public entities and provides excellent liquidity. Concentration risk does not apply to pooled investments as the pool holds a number of issuers' investments. This is particularly true with the LGIP since investments focus on high credit quality securities. EWEB's investment options are limited as a public agency. The LGIP tends to outperform EWEB's other investment options and provides a high degree of liquidity, which is why EWEB typically maintains a balance close to the statutorily allowed limit. At the end of December approximately 75% of EWEB's investment portfolio was U.S. agency and treasury securities, as well as highly-rated bonds.

Smith Creek Hydroelectric Project – (ACKERMAN) EWEB's Power Purchase Agreement expires this June. I'm assuming the idea is to let it expire and not open up negotiations to continue to purchase power. Is that correct?

RESPONSE: Yes, that is correct.

Consent Calendar

CONTRACTS

Michels Corporation – Holden Creek Substation Transformer Addition – (PRICE) Is it standard to do additional reliability studies after commissioning a project (are there some unknowns until the project is actually completed)? How often is there a discrepancy between projected and actual needs?

RESPONSE: All studies should be completed prior to any project scope, approvals and design. In this case extensive studies were completed on the transmission portion and most distribution portions, but a voltage study under loss of the substation transformer was not completed. Additional engineering and operations reviews have been added to our process for future projects.

CH2M Hill Engineers, Inc. dba Jacobs – Carmen-Smith Fish Passage Facilities – (ACKERMAN/FAHEY) Why would we issue a \$10 million dollar contract when we don't have the final approval yet, especially for the fish facility as that has changed dramatically since the last effort?

RESPONSE: The Settlement Agreement requires upstream and downstream fish passage to be completed within three years of license issuance. Because of the long lead times on some pieces of equipment and the lengthy regulatory approval process for design work, staff recommends putting the contract in place at this time while only moving forward with completing the fish passage alternative evaluations – efforts that are not wasted if the license is delayed, or changed again, and will also improve the overall schedule. The \$10M total contract value is

a very conservative budget estimate of the entire package of engineering work needed over the next 5 years for the fish passage projects. It allows staff to communicate to the Board the broad scope of the effort, but does not authorize any actual spending. Spending authorization happens only with Board approval of the individual Task Orders, and as part of the approved capital plan. Individual Task Orders over \$100,000 will be brought to the Board for approval. The first two task orders, (1) Upstream Attraction Water Location and (2) Downstream Passage Alternatives Analysis are planned for Board agenda in May.

Please explain the QBS process. Is it true the Jacobs firm was “most qualified” but we do not consider the cost of the services in this type of bid?

***RESPONSE:** Qualifications Based Selection (QBS) is a legislatively mandated two-step process for projects over \$100,000. The first step is to evaluate the proposers’ qualifications. For this project the evaluation criteria included project approach, team qualifications, corporate capabilities, and project management strategies. Each firm’s written proposal is evaluated and the offering firms are ranked. In the case of this Task Order Contract, Jacobs was determined to be the most qualified proposer. The second step in the process is for the parties to mutually discuss and refine the scope of services for the project and negotiate conditions, including the compensation (price) and performance schedule.*

In the past we have advocated for significant changes to the QBS process, do we feel this instance yielded an acceptable outcome or did this process force us into a higher cost/lower value outcome?

***RESPONSE:** While the QBS process does not allow us to determine if a different outcome would provide better value, we compared Jacob’s rate schedule with other engineering firms, determined that a couple of the engineering staff rates were higher than the industry rate and negotiated these rates to a reasonable amount. We believe that based on this comparison the pricing for this contract is reasonable. Jacobs is extremely well qualified and we are confident they are the best firm for this project.*

Although we continue to lobby for improvements in the QBS process, the legislature has not yet approved substantial changes to the QBS process. There is a proposed bill (HB2769) that if passed would give public agencies more flexibility in requesting competitive pricing for these services.

INTERGOVERNMENTAL AGREEMENTS

Bonneville Power Administration (BPA) – for Transmission Operator (TOP) Services – (PRICE) What will the staff FTE savings look like? Will we be eliminating positions?

***RESPONSE:** We expect to save the equivalent of about 2 FTE in Electric Engineering and Dispatch and approximately 3 to 5 FTE in the Information Services team that supports the Electric SCADA system. By the end of Q3 2019, when the changeover to BPA is complete, we will know the full extent of time saved. At that time we will review staffing needs in both Divisions and evaluate labor commitments in the long term financial plan. Potential savings could be realized in 2020 or 2021, or available staff could be shifted to other priorities, such as enhancing the resiliency of our infrastructure, Cyber Security Program, system maintenance, etc.*

CORRESPONDENCE

State Legislative Update – (HEUSER) Please provide an update on SB 27.

***RESPONSE:** SB 27 would establish a fee on drinking water providers to support the state drinking water program. EWEB recognizes the state program is underfunded and is keeping an open mind about funding sources. As proposed in SB 27, EWEB was very concerned though about cost containment for the new proposed fee and about paying a fee without receiving additional services (i.e. either there are no service level improvements because state general fund commitment to the program diminishes, or services provided are*

redundant to services EWEB provides in house.) Mel Damewood presented these concerns before the Senate General Government Committee, also comparing the proposed fee to long held concerns and frustration about the Energy Supplier Assessment that funds much of the Oregon Department of Energy (EWEB is one of several plaintiff electric utilities currently challenging this assessment.)

SB 27 was amended and approved in committee to limit annual fee increases to 3 percent, with a subsequent referral to the Joint Ways and Means committee on February 18th. The bill has received no consideration since then. Perhaps due to concerns raised by EWEB and other drinking water providers, the legislature has held hearings on a series of House bills with a more focused and near-term approach to address the most pressing needs of the state drinking water program, primarily how to better monitor and test in state (probably at Oregon DEQ) for cyanotoxins in public drinking water supply, through a state general fund appropriation. If approved, this would address the most pressing issue, and the state could explore more general and long term strategies for the state drinking water program in the interim before the 2020 or 2021 legislative sessions. EWEB staff will continue to monitor SB 27 and if necessary join again with other drinking water providers to press our remaining concerns that are still unresolved in the bill's current form.

Didn't a new revision of HB2020 (Carbon Policy) get published?

RESPONSE: *Yes, a new revision of HB2020 (Carbon Policy) was published after the Correspondence Memo to the Board. The amendment only includes minor changes for the electric sector, with most revisions impacting Energy Intensive Trade Exposed Industries. Provisions for handling the energy imbalance market were included, although the exact language needs further refinement.*