

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

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

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

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

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

Agenda Check

There were no changes or additions to the agenda.

Items from Commissioners and General Manager

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Education Grant Program Update

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

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

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

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

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

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

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

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

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

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

Business Growth and Retention Rate Credit

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

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

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

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

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

Public Hearing Business Growth and Retention Rate Credit

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

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

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

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

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

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

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

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

Public Input

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

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

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

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

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

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

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

Approval of Consent Calendar MINUTES

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

CONTRACTS

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

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

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

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

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

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

RESOLUTIONS

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

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

Items Removed from the Consent Calendar

None.

Capital Project Update

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Break

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

Reserve Fund Status and Transfers/Use of Reserves

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

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

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

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

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

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

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

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

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

Ms. Fahey said that was correct.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Board agreed.

Quarterly Strategic & Operational Report for Q1 2019

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

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

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

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

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

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

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

Annual Strategic Plan Review

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

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

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

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

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

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

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

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

Correspondence & Board Agendas

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

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

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

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

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

Ms. McLaughlin responded it affected Walterville only.

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

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

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

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

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

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

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

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

Board Wrap Up

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

Ms. Kah said they did.

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

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

Adjourn

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

Assistant Secretary

President