

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 E 4th AVENUE
July 9, 2019
5:45 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; Deborah Hart, Financial Services Manager; Wally McCullough, Water Engineering Supervisor; Lisa McLaughlin, Environmental and Property Supervisor; Karl Morgenstern, Environmental Supervisor; Tyler Nice, Electric Operations Manager; Rod Price, Chief Engineering & Operations Officer; Adam Rue, Fiscal Services Supervisor; Nate Shultz, Financial Analyst

President Carlson called the Regular Session to order at 5:45 p.m.

Agenda Check

Mr. Lawson reminded those present that the original agenda had been rearranged so that the Electric and Water Long-Term Financial Plan (LTFP) piece was before the Electric and Water Capital Improvement Plan (CIP) piece.

Items from Commissioners and General Manager

Commissioner Brown commended staff for their immediate attention to the water main that failed in the College Hill neighborhood. He thanked staff for seeing to this issue in less than 24 hours, and for clarifying that it was not EWEB's water line that had failed. Commissioner Brown said one of his constituents asked him if EWEB allowed schools and/or non-profits to use a lottery system for the ability to use its parking lot during football games for fundraisers. He said that EWEB no longer did that, but the utility still had approximately 200 parking spaces and he would ask the General Manager if it would be feasible.

Mr. Lawson commended the work of State Legislature liaison Jason Heuser over the past few months, especially surrounding Oregon HB 2020. He offered that even though HB 2020 did not pass during the current legislative session, EWEB had put a lot of work into it.

Public Comment

Marilyn Cross of McKenzie Highway offered the Board an update on the upriver community/Blue River. She said that through concentrated local efforts, and help from people all across the state, funding had been secured for the Leaburg Fish Hatchery through the next biennium; she praised the intensive effort by all involved, especially Tim Laue. Ms. Cross reported significant progress within the McKenzie History Highway Project; she said 37 history panels had been put up along the Highway from Cedar Flat to McKenzie Bridge, and the website for the project should be up and running shortly.

Approval of Consent Calendar MINUTES

1. a. **June 4, 2019 Executive Session #1**
b. **June 4, 2019 Executive Session #2**
c. **June 4, 2019 Regular Session**

CONTRACTS

2. **Harrang Long Gary Rudnick, P.C.** - for Legal Counsel for Human Resources Related Issues. \$600,000 (over 5 years estimate).
3. **OEG Inc.** - for Residential, Commercial, and Industrial Electrical Services. \$500,000 (over 5 years).
4. **Owen Equipment Company, an authorized dealer of the Federal Signal Corp.** - for the use of a cooperative contract for the purchase of a Truck Mounted, Hydro Excavator. \$507,000.

RESOLUTIONS

5. **Resolution No. 1901** - Authorizing General Manager to Rescind Resolution No. 1625 and Acquire Redefined Property for the Thurston Substation Expansion Project.
6. **Resolution No. 1918** - July 2019 Revised Electric Prices, Business Growth & Retention Price Rider.

OTHER

7. **EWEB Education Grant Focus Area Update.**

Commissioner Schlossberg moved to approve the Consent Calendar without items: 4, 5, 6, and 7. The motion passed unanimously 5:0.

Items Removed from the Consent Calendar

President Carlson pulled Consent Calendar Item 4. She asked how EWEB determined when a vehicle or piece of equipment was at the end of its useful life, and what the operation costs were.

Mr. Price offered that EWEB went by hours used instead of mileage to determine when a piece of equipment such as the one in question was at the end of its useful life.

Vice President Mital asked if EWEB deemed a piece of equipment no longer useful, why did other agencies see enough value in the piece of equipment to acquire it from EWEB.

Mr. Price said that to ensure proper fleet turnaround, EWEB bought new equipment, and in this case, a more efficient piece of equipment would be purchased to replace the one in question. He offered that just because it no longer suited EWEB's needs to maximize fleet turnaround, did not mean that it had no value.

Mr. Lawson offered there were three main criteria in place to inform EWEB's decision(s) to replace a vehicle, or to add a new vehicle to its fleet: capital replacement cost, resale value, and ongoing maintenance.

President Carlson said that she would like more information on EWEB's methods for fleet replacements/additions.

Mr. Lawson said he would be happy to provide that information.

Commissioner Brown moved to approve Consent Calendar Item 4. The motion passed unanimously 5:0.

Commissioner Brown pulled Consent Calendar Item 5. He asked what EWEB was planning to do with that land that was not Cedar Creek frontage.

Ms. McLaughlin said they were still working on those details. She offered the original purchase and sale agreement with Weyerhaeuser was for the entire tax lot, including lands not directly on the river, and lands not needed for substation expansion.

Commissioner Brown, citing livestock grazing as one of the top polluters of drinking water, wondered why they were purchasing the entire property.

Mr. Morgenstern said the ultimate goal of the property was to install trails, and make it more of a park-like situation which the public could use, although, in the meantime, the grazing on that land would continue.

Commissioner Brown asked if it was correct that EWEB needed to purchase this piece of land in order to negotiate the deal for the parcel needed for the substation and the Cedar Creek confluence. He also asked for confirmation that the property in question was outside of the UGB.

Ms. McLaughlin said that was correct.

Vice President Mital asked—if the two main reasons for EWEB acquiring the property were the Cedar Creek, and substation expansion—could EWEB subdivide the property in the future.

Ms. McLaughlin said the land use actions in that area were complicated—involving both City of Springfield, and Lane County—and Weyerhaeuser was taking the lead on a possible lot line adjustment.

Vice President Mital asked if exercising eminent domain was an option for EWEB in this case.

Ms. McLaughlin replied no.

Vice President Mital asked how important it was that the Board made a decision tonight.

Ms. McLaughlin said Weyerhaeuser had already submitted their application to both City of Springfield and Lane County for land use actions. She added that the utility had already been moving forward as if this was EWEB's preferred approach.

Vice President Mital asked if EWEB staff was 100% confident that there would be no surprises (such as contamination) on the entire 144-acre property.

Ms. McLaughlin said they were confident.

Vice President Mital asked if any problems were found on the land in the future, who would be responsible for the problem's mitigation, EWEB or Weyerhaeuser.

Mr. Lawson offered that State Law supported the notion that Weyerhaeuser would be responsible for any necessary cleanup on the property, unless EWEB signed something that indemnified them.

Vice President Mital asked about the reasoning behind EWEB's and Weyerhaeuser's rationale to exclude a parcel of the property from the sale agreement.

Ms. McLaughlin offered the agricultural piece of land that was excluded from the contract was left out over EWEB's concerns over what might be on the property. Some of the acreage is developable land. From a Property Supervisor perspective, EWEB is a utility and is not in the business of flipping land. If we were to have purchased the entire tax lot we would have gone through adjustments so we could dispose of the developable portion. Through this deal, Weyerhaeuser will retain that piece of property and it has some monetary value to them.

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

Commissioner Helgeson pulled Consent Calendar Item 6. He said he noticed the Resolution did not include a copy of the policy being adopted. He cited a concern that, in the past, when the actual policy alluded to was left out of the language of the resolution itself, there was confusion in the record as to what exactly EWEB was

referring to in the resolution. Commissioner Helgeson suggested, in the future, the utility actually attaching what was being adopted to the resolution language.

Commissioner Helgeson moved to approve Consent Calendar Item 6. The motion passed unanimously 5:0.

Vice President Mital pulled Consent Calendar Item 7. He said he would like to make one minor change to the document as written, adding “Districts are strongly encouraged to develop educational programs that are repeatable and scalable.”

Commissioner Mital moved to amend the document to include “Districts are strongly encouraged to develop educational programs that are repeatable and scalable.” The motion passed unanimously 5:0.

SUB/EWEB Joint Resolution to Explore Options for Water Resiliency

Commissioner Brown reported that he had met with Springfield Utility Board (SUB) Board President John DeWenter to discuss EWEB and SUB collectively working together on options and opportunities on the Willamette River.

Vice President Mital moved to approve the Joint Resolution with the Springfield Utility Board to Explore Options for Water Resiliency. The motion passed unanimously 5:0.

Electric & Water Long-Term Financial Plan (LTFP) Update and 2020 Budget Assumptions

Ms. Fahey, Ms. Hart, Mr. Rue, and Mr. Schultz offered the board a report and Power Point presentation on Electric & Water Long-Term Financial Plan Update and 2020 Budget Assumptions.

Commissioner Schlossberg asked what the utility was doing to help its low-income customers deal with rate increases, specifically, the 3% increase projected in 2023.

Ms. Fahey said that, historically, EWEB has not increased its low-income customer assistance programs to offset rate increases. She said she would be happy to revisit this issue in 2023, when the rate increase is scheduled to take effect.

Commissioner Schlossberg offered that if private schools were invited into EWEB educational programs as the Board had previously discussed, it would result in a very small amount of additional expense.

Mr. Lawson said that in the past, there had been unusually high consumption in the winter because of weather, and in some of those cases, the utility had decided to move forward with a more aggressive low-income program. He offered that since the aforementioned rate increase was specifically for 2023, the utility would not seek to increase funding to the low-income program, because it was still three plus years in the future.

Commissioner Helgeson asked how the utility was able to consistently absorb cost escalations year after year.

Ms. Fahey answered debt restructuring.

Commissioner Helgeson asked for further explanation on what was referred to as the “H₂O Base Case” in the presentation.

Ms. Hart said the plan was a bit less conservative than it had been in the past on the water side of the utility, and staff did not expect to hit average water sales in any of the 10 years in the LTFP.

President Carlson asked about the Days [of] Cash metric used in the LTFP. She asked what the Board and the utility itself could do to address the problems of this metric.

Ms. Hart returned there could be a price increase, or the utility could review our mix of rate-funded to debt-funded capital, or reducing other costs would be an option.

Vice President Mital asked if Days of Cash was a metric the utility had the power to change internally, or was its 150-day span fixed.

Ms. Fahey answered Days of Cash did not have to remain fixed, but the 150-day span was what most rating agencies consider.

President Carlson wondered whether this year’s snow storm coupled with a warm winter would be considered a risk scenario or within the base case.

Ms. Hart said the winter storm did stress EWEB’s operating costs, and then we saw a load decrease. Contribution risk margin tolerance is designed for things such as load or prices falling short of our projections, or generation below what is expected.

President Carlson asked if it would take multiple years in a row, similar to the winter of 2019, to potentially push EWEB into a scenario of not meeting its financial targets.

Ms. Fahey said yes; she the utility had reserves on the front end to manage one- and two-year bumps, like the winter storm of 2019.

President Carlson asked if the delivered load would remain flat, even with projected local population increases.

Mr. Rue replied that the utility’s conservation targets were adjusted based on growth forecasts. He said this plan has been in place since 2011-12.

Commissioner Brown asked what the total annual negative to the utility would be if Leaburg dam was shut down for another year.

Deborah Hart replied approximately \$2 million unfavorable per year.

Commissioner Brown asked if the \$20 million loss of revenue short of budget in the first quarter of 2019 was an anomaly.

Mr. Rue answered there were offsetting factors due to trade activity; the volumes that were bought and sold to meet the hourly demand. The \$20 million increase in purchased power cost was offset to a large extent by wholesale revenue. He added that he believed the early-year volatility was an anomaly.

President Carlson made a reference to the key assumptions in backgrounder (*\$1.0 million per year contribution to meter replacement reserve starting 2021 based on 12 year estimated life.*)

Ms. Fahey said the intent was to draw the meter reserve down before the end of the 12 years, by installing meters.

President Carlson asked if \$50 million was the proper figure for the secondary water treatment plant mentioned in the LTFP.

Mr. Rue said the figure was actually \$55 million.

Commissioner Helgeson expressed concern over the utility's repeated use of the Affordability Index.

President Carlson expressed concern over the lumpiness of EWEB's rates.

Mr. Lawson said one of the good things about a 10-year LTFP, is it revealed lumpiness in pricing. He said he felt the rate increases over the next 10 years were fairly minor, and were not a cause for alarm from the utility.

Break

President Carlson called for a break at 7:04 p.m. she reconvened the meeting at 7:15 p.m.

Electric & Water Capital Improvement Plans (CIP)

Mr. Price, Mr. Barton, Mr. Nice, and Mr. McCullough offered the Board a report and Power Point presentation on Electric and Water CIPs.

Commissioner Brown asked staff to double check construction costs, as they tend to fluctuate, sometimes wildly. He offered that decommissioning should be put into long-term financial planning.

Mr. Lawson offered that while it does make sense to include decommissioning in the LTTP, decommissioning would not be capital.

President Carlson asked how outliers were accounted for within the Target Total Budget vs. Depreciation Ratio calculations.

Mr. Price answered that the aforementioned ratio was an indicator.

Mr. Lawson described the Target Total Budget vs. Depreciation Ratio as the value still being depreciated, vs. the total asset base.

President Carlson asked how EWEB figured out when risk-based improvements become compulsory improvements.

Mr. Price said it depended on the particular asset in question.

Commissioner Helgeson said there were three areas he was interested in receiving more information about before budget approval season: the customer experience improvement project, resiliency, and an AMI deployment update.

Vice President Mital asked for an update on EWEB's Work and Asset Management (WAM) system, and how it has changed EWEB's ability to forecast.

Mr. Barton said he would defer any questions concerning WAM to the Finance Department.

Mr. Price responded that WAM is used to track financial information and the asset of record. The software is only one part of asset management, and he will be working with Operations Managers to standardize the asset management process to determine how we use the information to make decisions.

Vice President Mital asked if EWEB's depreciation schedule was considered conservative or liberal.

Mr. Price said it was conservative.

President Carlson wondered if the utility would wait for the economy to shift, forcing construction costs down, before constructing new projects/facilities. She said she would also like to revisit the Target Total Budget vs. Depreciation Ratio without the outliers.

Correspondence & Board Agendas

Mr. Lawson offered the Board a report of Correspondence and Board Agendas.

President Carlson offered that she was invited to LCC to visit and talk about the EWEB scholarships; she said that if she accepts the invitation, everyone on the Board is also invited to go with her to LCC.

Commissioner Helgeson said he felt like EWEB had been on a trajectory for a while of phasing out the grants to LCC. He said EWEB had received much value from its relationship with LCC.

Commissioner Brown announced Oregon SB 27 had passed and asked if it was correct that there is a 3% cap, and also that money cannot be used for purposes other than safe drinking water programs.

Mr. Lawson said he believed that was correct, but he would look into it and follow up.

Vice President Mital asked about the nature of the program outlined in SB 27, and what was EWEB's money being used for exactly.

Mr. Lawson said he would get back to Vice President Mital with answers to his questions.

President Carlson wondered if there was a more employment-related need that education funds could be targeting.

Board Wrap-Up

Commissioner Helgeson posited it was useful and interesting to have philosophical conversations about the values that underlie what EWEB does.

Commissioner Brown asked about the \$250,000 EWEB gives to upriver game enforcement; he asked staff to get back to him on the details of that quarter of a million dollars.

Commissioner Helgeson wondered if there was a trade-off in EWEB's tree trimming that would afford further opportunities to completely remove trees that would need to perpetually be trimmed.

Mr. Lawson said he would get back to Commissioner Helgeson and the Board with more details on that topic.

Adjourn

President Carlson adjourned the Regular Session at 8:24 p.m.

Assistant Secretary

President



Eugene Water & Electric Board

Customer Service Policy Appendix B – Electric Service Charges and Prices

A. Business Growth and Retention ~~Price Rider~~ CREDIT (BGR-1)
(For Service from 1200 kW to 10,000 kW of New or On-going Incremental Demand)
(Resolution No. 1328)

1. Purpose

New and expanding businesses can provide broad economic benefits to the community and EWEB customers, but often have high up-front costs associated with capital improvements, including utility infrastructure. The Business Growth and Retention Credit is intended to provide short-term discounted electric pricing to support business growth when such development demonstrates clear economic, environmental and community benefits.

1.2. Applicable

This ~~Rider~~ Credit is applicable as an addendum to the otherwise applicable General Service electric price schedule for qualified Customers locating or expanding service on EWEB's transmission and/or distribution system(s). New or existing General Service Customers who add a minimum of 1200 Kilowatts (kW) of billing demand may qualify. Service is applicable to customers with the average of the three highest monthly kW demands in a 12-month rolling period falling between 1200 and 10,000 kilowatts of either new or incremental demand that has demand response capability.

Customers taking service must first be approved for participation in EWEB's Business Growth & Retention Program based on specified attributes the project brings to the community

2. Price

The BGR-1 Credit is calculated annually based on the difference between the average ~~Rider~~ shall be calculated by subtracting the average ICE Mid-C Flat forward price curve monthly settled index price from and the Customer's average applicable retail energy (kWh) price. The value associated with the difference between market and retail pricing is shared between EWEB and the customer. to establish the retail/wholesale market differential.

2019 BGR Price for Medium General Service Customers: \$0.012 per kilowatt hour

2019 BGR Price for Large General Service Customers: \$0.008 per kilowatt hour

The monthly retail/wholesale market differential is allocated to the Customer as an incentive price. The split is 50/50 in the first year, 60 (EWEB)/40 (Customer) in the second year; and 80 (EWEB) /20 (Customer) in the third year.

The BGR-1 Credit Rider is exclusively applied to the new or incremental energy (kWh) use only in the form of an annual bill credit. The credit is based on a look back



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~~calculation for all energy consumed above the baseline and credited to the bill every six months in January and July each year.~~ The BGR credit will not be paid for any Billing Period that Customer fails to meet 1200 kW minimum additional Demand.

3. Contract

Service under the BGR-1 ~~Credit is Rider~~ is provided under a ~~three-year~~, signed agreement with a term of two – four years depending on EWEB's evaluation of the load growth potential, -level of utility investment and potential future revenue received from the customer- EWEB reserves the right to reduce the term if the project's actual load growth and revenues are lower than anticipated when the contract was signed.

4. Start Date

The start date of the incentive price period shall commence within 24 months from the date of execution of the contract for service and shall be designated by the Customer and EWEB within the BGR-1 agreement. *(This 24 month period is to accommodate construction prior to full operation.)*

5. Metering

Separate electric metering for new or additional Load may be required if, in EWEB's sole opinion, it is necessary to provide service under this schedule. The Customer will be responsible for any costs associated with providing separate electric metering.

6. General Terms and Conditions

Service under this schedule is subject to the policies and procedures of EWEB.