

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 E 4th AVENUE
August 6, 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; Susan Ackerman, Chief Energy Officer; Patty Boyle, Generation Contract Supervisor; Sue Fahey, Assistant General Manager & Chief Financial Officer; Sarah Gorseigner, Purchasing & Warehouse Supervisor; Lena Kostopulos, Chief Workforce Officer; Mike McCann, Generation Manager; Lisa McLaughlin, Environmental and Property Supervisor; Karl Morgenstern, Environmental Supervisor; Rod Price, Chief Engineering & Operations Officer; Mark Zinniker, Generation Engineering Supervisor

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

Agenda Check

There were no changes or additions to the agenda.

Items from Commissioners and General Manager

Commissioner Helgeson announced he had attended the annual picnic upriver; he thanked the sponsors of that event.

President Carlson said she planned to attend the upcoming River Road Neighborhood Association meeting.

Commissioner Brown said EWEB's Other Post-Employment Benefits (OPEB) account was experiencing a \$1.8 million deficit, but after a \$2 million cash infusion, the account was back in the positive. Regarding upriver law enforcement, he wondered if there was a way to get the \$2 million dollars earmarked for National Forest Service assistance for the next 40 years, out of the Forest Service and to Oregon State Police (OSP). Finally, Commissioner Brown said he had recently attended a Hydrogen presentation in Eugene; he asked staff to look into collaborative efforts with Northwest Natural Gas and get back to the Board.

Mr. Lawson said there was a Correspondence item scheduled for next month's meeting which would update the Board on local hydrogen and fuel cell opportunities. He said he would look into amendments to the settlement agreement concerning Commissioner Brown's questions about shifting monies from the Forest Service to OSP. Mr. Lawson acknowledged Susan Eicher upon her retirement from EWEB as Assistant Secretary at the end of August. He also acknowledged Lisa McLaughlin who was being shifted into a Field Services management role within the operations Group. Lastly, Mr. Lawson introduced Travis Knabe, who was in charge of operation within the IS group.

Public Input

Jim Neu of Eugene thanked EWEB for their role in reducing greenhouse gas emissions, and local environmental stewardship of renewable resources. Mr. Neu said that, according to scientists, hydrologists, and the Intergovernmental Panel on Climate Change (IPCC) all agree that by 2030, Oregon energy sources should be 100% renewable, and by 2020, all new energy generation should be carbon-free.

Webb Sussman of Eugene thanked EWEB line crews and power infrastructure staff for their great work on the rehab project in west Eugene. He said that, thanks to EWEB staff, the project was a success from beginning to end.

Senator James Manning of Eugene thanked EWEB for their hard work and commitment to green energy technology in the state of Oregon, and the United States at large. He also thanked EWEB for their role in keeping the Leaburg Fish Hatchery open. Senator Manning encouraged any EWEB Commissioner to reach out to him whenever they wanted to.

Approval of Consent Calendar MINUTES

1. a. **July 9, 2019 Executive Session**
b. **July 9, 2019 Regular Meeting**
c. **July 16, 2019 Special Meeting**

CONTRACTS

Customer Experience Improvement Project (CEI) - Consent Calendar Items #2, #3 & #4.

2. Milestone Utility Services - Authorize the General Manager to approve a contract for a Customer Self Service Portal with Managed Services. Contract Estimate: On premise/Hosted Solution: \$25,000 annual fees; \$997,000 over 7 years plus implementation travel costs. Contract Estimate: Hosted Solution + Managed Services: \$115,000 annual fees; \$1.78 million over 7 years plus implementation travel costs.

3. Paymentus - Authorize the General Manager to approve a contract for Electronic Bill Presentment and Payment Services. Contract Estimate: \$255,000/annual fees; \$1.78 million/over 7 years plus implementation travel costs.

4. Utilitec - Authorize the General Manager to approve a contract for Bill Print and Mail Services and Insert Printing. Contract Estimate: Current Functionality: \$113,600 annual fees; \$800,000 over 7 years plus implementation travel costs. Contract Estimate: Enhanced Functionality: \$135,000 annual fees; \$948,000 over 7 years plus implementation travel costs. Estimated Insert Costs (12/yr): \$43,300 annually; \$303,000 over 7 years.

5. Engineering/Remediation Resources Group, Inc. - for environmental construction for the Upland MGP Removal project. \$807,000.

6. Garten Services, Inc. - Authorize General Manager to approve contract for Janitorial Services after final authorization is obtained from the State of Oregon. \$2,200,000 over 5 years.

7. Oregon Woods, Inc. - for environmental construction for the Stabilization of Riverbank project. \$384,000.

8. Pacific Excavation, Inc. - for construction services at EWEB's Carmen-Smith Hydro Project. \$86,000 (Resulting Cumulative Total \$324,000).

RESOLUTIONS

9. Resolutions for Appointment of Assistant Treasurer and Signatories for Financial Institutions.

a. Resolution No. 1914 - Appointment of Assistant Treasurer

b. Resolution No. 1915 - Trust and Custodial Depositories

c. Resolution No. 1916 - Oregon Depository Accounts

d. Resolution No. 1917 - Operational Depositories

10. Resolution No. 1920 - Amendment to Board Policy GP10, Public Input.

11. Resolution No. 1921 - Authorize Acquisition of Property along Leaburg Canal.

12. Resolution No. 1922 - Revisions to EWEB Public Contracting Rule 3-0275.

13. Resolution No. 1923 - Authorize and direct the General Manager to negotiate terms and conditions for the potential post-remediation transfer of the Manufactured Gas Plant (MGP) property to the City of Eugene.

14. Resolution No. 1924 - Authorize the General Manager to negotiate and execute an agreement with the City of Eugene which facilitates EWEB's disposition of the Headquarters property.

Commissioner Brown moved to approve the Consent Calendar without items: 6, 7, 11, 13, and 14. The motion passed unanimously 5:0.

Items Removed from the Consent Calendar

Commissioner Brown pulled item 6 from the Consent Calendar. He said the gap between what EWEB pays for janitorial services, and what the person(s) doing the work

actually receives, was a challenge for him. He expressed his appreciation to staff that had worked to amend the janitorial contract.

Commissioner Helgeson asked for clarification concerning EWEB's requirement for hiring out janitorial services.

Ms. Gorsegrner explained there was Oregon statute saying that if there is a product or service provided by a Qualified Rehabilitation Facility which meets the needs of the organization (in this case EWEB), the organization was required to seek services from that rehabilitation facility.

Commissioner Helgeson asked if it was staff's view that EWEB could not provide these services internally.

Mr. Price said that once everyone and everything gets moved over to the Roosevelt Operations Center (ROC), staff would evaluate the plusses and minuses of hiring for this kind of work externally versus internally.

Vice President Mital asked if EWEB could exit the current contract.

Ms. Gorsegrner said yes. The original contract was written for one year, with the option to extend for additional years.

The motion passed unanimously 5:0.

Commissioner Brown pulled item 7 from the Consent Calendar. He expressed concern over contracts such as these that have only one bidder, and he was also concerned that the bid came in well over the initial engineering estimate for the job.

Ms. McLaughlin offered that staff had done a fair amount of research after receiving that single bid. She noted that the engineering estimate Commissioner Brown referenced was a couple of years old, and that market values of materials and labor had changed since the original estimate. Ms. McLaughlin also noted that Oregon Woods, Inc. had taken an approach to some aspects of the work which differed from the original engineering estimate, but staff found those changed to be valid.

Mr. McCann said there were several firms that showed up at the pre-bid meeting, but only one—Oregon Woods, Inc.—chose to bid, because, he said, the other firms did not have the capacity to take on the specific workload of the project.

Vice President Mital asked about the time sensitivity of the work. He wondered if EWEB could wait on the project in hopes the market would change.

Ms. McLaughlin said that was technically possible, but there were a lot of entities that were partnering with EWEB on this project, and she feared delaying it would strain EWEB's relationships with said partners.

Vice President Mital moved to approve Consent Calendar Item #7. The motion passed unanimously 5:0.

Commissioner Brown pulled item 11 from the Consent Calendar. He wondered about the timber rights on the land in question. Commissioner Brown asked since EWEB was purchasing the land in question but without the accompanying timber rights to the timber on the property, would the timber rights revert to EWEB once the person who currently owned those rights had passed away.

Mr. McCann said that was correct. He said if 20-25 years passed and the holder of the timber rights has not yet harvested said timber, those rights would shift to EWEB.

Commissioner Brown wondered why EWEB did not just buy all the timber now, along with the property itself.

Mr. McCann said EWEB did not really want the timber mentioned, and that he was hedging his bets that the owner of the timber rights was not going to harvest in the next 20 years. In short, Mr. McCann said the owner of the timber rights did not want to sell the timber, but EWEB still wanted to own the land. He said EWEB wanted to protect that land from development.

President Carlson asked if EWEB could purchase the timber on the property at any time.

Mr. McCann said EWEB would reserve the right to prevent the owner of the timber rights from cutting any or all of the timber on the property.

President Carlson asked staff why they thought the timber rights owner would not sell the timber now.

Mr. McCann said there was certain areas of timber that EWEB did not want him to cut, and if those sections were put on the timber market, EWEB would purchase them immediately to protect them.

Mr. Lawson asked if this was really just an issue of time and price.

Mr. McCann answered yes.

Mr. Lawson asked if today's cost of the property with the timber had been explored.

Mr. McCann said the owner of the timber rights had been clear from the very beginning that he wanted to retain those timber rights.

Mr. Lawson asked if EWEB could wait a month to purchase the property, in order to explore further the purchase.

Mr. O'Dell said the owner of the timber rights wanted to retain those rights for personal reasons. He said he would be surprised if the timber rights owner did not wait until the price of timber was higher before cutting it, but the timber on the property itself was never for sale. Mr. O'Dell said he believed EWEB could put an offer together for the timber, to ascertain how amenable the owner of the timber rights would be to selling the timber now.

Vice President Mital said he would rather buy the property and the timber all up front in one transaction, rather than entering into a long-term relationship with the owner of the timber rights.

Mr. McCann asked the Board how staff should proceed if the timber rights owner refuses to sell EWEB the timber now.

President Carlson offered she preferred EWEB do their due diligence, and take a little more time to close this deal.

Mr. Lawson suggested—if the owner of the timber rights refused to sell the timber to EWEB now—that staff bring the item back to the board as is.

Mr. Lawson asked if there was a risk of the property owner walking away from this deal, if EWEB brought a second deal into the transaction.

Mr. McCann said he did not believe so.

President Carlson pulled item 13 from the Consent Calendar.

Commissioner Helgeson asked if there were acceptable terms negotiated, would staff bring this item back to the Board for approval, and any declaration of surplus be on terms acceptable to the Board.

Mr. Lawson said that was correct. He added it was too early for EWEB to officially declare the property in question surplus.

Vice President Mital asked if the Board voted against this Resolution, would EWEB still be free to entertain any offers from City of Eugene.

Mr. Lawson said that was correct, and this is an issue of timing and how the Board wants to approach it; does the Board want to pre-negotiate or go through the normal process of declaring surplus. Either way dialog will continue with the City Manager.

Vice President Mital said he was a no vote on the Resolution. He said the line of communication was still open, and there was nothing preventing City of Eugene from moving forward with the negotiations on their end, if EWEB declined that first step.

Commissioner Helgeson moved to approve Consent Calendar Item #13. The motion failed with a vote of 1:4, with Commissioner Schlossberg being the only Yes vote.

President Carlson pulled item 14 from the Consent Calendar. She said she was not in favor of the Resolution, because she felt there were other endeavors and considerations to be weighed before approving it.

Vice President Mital offered that market conditions had changed, and EWEB had a stable source of revenue, so he felt no sense of urgency around approving this Resolution.

Commissioner Helgeson moved to approve Consent Calendar Item #14. The motion failed unanimously 0:5.

McKenzie River Hydroelectric Projects Updates

Ms. Ackerman, Mr. McCann, Mr. Zinniker, Ms. Boyle, and Ms. McLaughlin offered the Board an update and PowerPoint presentation on McKenzie River hydroelectric projects.

Commissioner Brown asked staff if they were concerned that another major water event would destroy the fish return channel, and what contingencies EWEB may have in place if the return channel were destroyed.

Ms. McLaughlin said that staff was aware of that concern, and they monitored the fish channel and the adjacent river continuously. She said her bigger concern was the possibility of the river breaking through and flowing in upstream of EWEB's tailrace barrier. Ms. McLaughlin said the options for mitigating damage to the fish channel were limited.

President Carlson wondered—given EWEB's Record of Decision (ROD) dictating the levels in the river, how much is that ROD really impacting it with the river being so low. .

Mr. McCann offered that the Record of Decision was only in effect until a flow of 1050 cubic feet per second (cfs) was reached in the bypass reach. The ROD is more helpful earlier in the spring. This year the ROD did not have as much affect due to there being less water flow.

Ms. McLaughlin added that EWEB had been compliant with the Record of Decision, maintaining 10% higher volume in the river than in the Walterville canal.

President Carlson asked if the Army Corp of Engineers (COE) would be continuing to release smaller than normal volumes of water.

Mr. McCann said the COE was doing their second year of habitat construction near Cougar Reservoir.

Mr. Morgenstern said there were two more phases of the habitat construction planned, but the program depended on funding.

Mr. McCann said he believed the Corp has plans for major construction on their temperature control tower for downstream fish passage in 2022 and that would also cause them to drain Cougar Reservoir early in the year. He said there would be impacts in the lower McKenzie for the foreseeable future.

Commissioner Schlossberg asked if there was any kind of public process associated with the Leaburg canal issue.

Ms. Boyle said that—because it was a year-long process—the public would no doubt have opportunities to weigh in on the Leaburg project. She added that staff had not yet discussed any specific public outreach as there is not enough information at this time. EWEB needs to discuss the topics with its regulators as they have a significant influence on what the range of possibilities are. Some of these things are not within EWEB's decision making authorities, therefore staff would have to craft a solution with their support.

Mr. McCann offered that any repair to the seeping area and strengthening for seismic purposes would be a very expensive endeavor. Staff will bring a comprehensive evaluation to the Board after talking with the regulators.

Vice President Mital asked what the nameplate and average generation for Leaburg was.

Mr. McCann responded there were two units, which could produce approximately 15 MW total. A lot of power is generated in the winter when flows are high. Usually by this time of year, one unit is shut off for the summer and generation diminishes over the summer.

President Carlson asked given the sink holes and the reservoir being lowered, what the cost to possible generation benefit would be for the Carmen Smith upgrade.

Mr. Zinniker said they would fill the reservoir no higher than they needed to for diversion and power generation.

Commissioner Brown wondered about the status of the transmission line that was being abandoned after construction of the new Holden Creek substation. He asked if property rights would revert to the prior owners, or was EWEB planning on retaining that corridor.

Ms. McLaughlin said EWEB did have easements along the transmission line corridor. She offered that many of said easements would be vacated or terminated upon the decommissioning of the transmission line.

Break

President Carlson called for a break at 7:16 p.m. she reconvened the meeting at 7:26 p.m.

Quarterly Strategic & Operational Report for Q2 2019

Ms. Kostopulos offered the Board an account and PowerPoint presentation on the Q2 2019 Quarterly Strategic and Operational Report.

Commissioner Brown referenced the Electric Financial slide of the PowerPoint, in which it projected a \$2.5 million deposit to reserves, and anticipated a \$4.7 million withdrawal. He asked if the FEMA reimbursement for the winter storm was reflected in those numbers.

Mr. Lawson responded the reimbursement was not part of those figures. He said the FEMA reimbursement would offset the withdrawal by approximately \$3 million, but would not take effect this year.

Commissioner Schlossberg wondered about the reason for increased water revenue.

Ms. Fahey explained that water consumption was up.

Commissioner Schlossberg asked if the 2% opt-out within the AMI project was expected.

Mr. Price offered that national averages for advanced metering opt-outs were roughly 1-1.5%, and as the EWEB AMI project moved forward, he expected the 2% opt-out to drop closer to the national averages.

Commissioner Schlossberg asked if there is a percentage of opt-outs that would negatively impact the whole AMI program.

Mr. Lawson replied that eventually when EWEB is near full deployment, we will recognize that those who opt-out are affecting a significantly higher percentage of the costs. At some point it costs customers to opt-out and our plan is to come back to the Board with what those costs are.

Commissioner Schlossberg asked if the BPA conservation reimbursement would be allocated to EWEB's General Fund.

Mr. Lawson returned that those funds would go into the General Fund.

Commissioner Helgeson wondered what the utility was learning from its AMI deployment that would suggest recalibration of the AMI program.

Mr. Price cited that within the electric side of the utility, more robust communication infrastructure, backhaul software, processes that needed to be scaled for larger

deployment, continuous improvement models, and working at a safe rate, are some of the things staff are working on during this temporary slow-down of deployment.

Vice President Mital asked for clarification on the 46% reduction in disconnects cited in the report.

Mr. Lawson said that staff would look at the data and get back to the Board with the answer to Commissioner Mital's question.

Vice President Mital asked if the utility was perhaps concentrating on affordability to such a degree that it was negatively affecting reliability.

Mr. Lawson answered that the point of Vice President Mital's question was a very valid one, and it is something the utility definitely keeps a close eye on.

President Carlson wondered if the higher number of injuries was in part due to better reporting.

Ms. Kostopulos said there was more reporting of "good catches" (formerly known as "near misses"), however those are pre-injury reports and therefore not a factor of the higher number. She said EWEB is focusing on prevention by looking at and addressing the causes of injuries.

President Carlson asked about the expected increase in healthcare premiums. She wanted to know if that increase would be seen across the board or if that was for better health care plans.

Ms. Kostopulos said it is a reinstatement of a portion of the Affordable Health Care Tax that was anticipated in 2013 or 2014, and at that time they were talking about a tax rate of about 20%. This is 2.5%, and it is really just a reinstatement, it is an IRS tax. She offered that depending on the political climate around health care, if the Affordable Care Act remains, we can expect that amount to climb, or if a different plan is implemented there would be taxes associated with that too.

President Carlson asked what the EWEB carbon goal's timeline was.

Mr. Lawson said the carbon goal was 7,500 metric tons of carbon for 2019. So far, he added, the utility had reached 32% of that goal, with a little less than half the year remaining. He clarified the carbon goal was an educated guess, and that many different factors went into its calculation.

President Carlson asked if the drastic dip in the Chlorine Goal chart on slide five of the PowerPoint was due to the chlorine process and biofiltration install.

Mr. Price offered the big dip President Carlson mentioned happened just before the install, and the chart also showed a stabilization of the chlorine goal just after the drastic dip.

President Carlson asked what a “digital door-hanger” was.

Ms. Kostopulos said a “digital door-hanger” was either an email or phone call to a residence to inform the occupants of continuous water usage (which might be evidence of a leak).

President Carlson inquired as to how the low-income bill assistance monies were being dispersed. She wondered if the monies went out in one lump sum, or was it dispersed on an as-needed basis.

Ms. Wade said that along with working on the monthly allocation schedule, EWEB had shifted the calendar year such that EWEB lagged behind the LIHEAP season.

Strategic Discussion – Public Utility Values

Mr. Lawson offered the Board a report and Power Point presentation on Strategic Planning, and how it affected EWEB’s values as a public utility.

Commissioner Helgeson thanked Mr. Lawson for the presentation; he offered that he would like to see more of a definition of Community Benefit.

Commissioner Schlossberg said she was okay with the broadness of the definition of Community Benefit, because the makeup of the Board (and the community) is dynamic and ever-changing.

Vice President Mital offered he was satisfied with the material as presented, but he did agree with Commissioner Schlossberg as per the broadness of the definition of Community Benefit.

President Carlson asked how the distinction between Foundational Organizational Goals and Declaratory Organizational Goals changed or helped to clarify how work is represented in staff’s work plan.

Mr. Lawson said that every decision the utility makes was examined to make sure the decisions supported EWEB’s values.

Commissioner Brown thanked Mr. Lawson for the work and the presentation; he said he was in full support of the values as discussed.

President Carlson asked what the next phase(s) of this discussion would look like.

Mr. Lawson said staff would use the input they have received from the Board, and put together another presentation including said input, and bring it back before the Board.

President Carlson asked if the Board would be voting on anything staff might bring back.

Mr. Lawson said staff would bring back very specific things for the Board to vote on in the future.

Correspondence & Board Agendas

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

Commissioner Brown wondered if there was going to be any Board discussion about the upriver Cost of Service Analysis (COSA) scheduled for October.

Mr. Lawson said he was not yet sure. He said it would depend on what the information to be received told EWEB and the EWEB Board.

Commissioner Helgeson said, in the IERP memo, the phrase “documentation and socialization” was an awkward phrase, and suggested replacing it with “community outreach.”

President Carlson clarified that the meeting she and Mr. Lawson had with Terry McDonald from St. Vincent DePaul (SVDP) and Eileen Sigler had been about a couple of projects they were working on, that EWEB might have the chance to partner with them on.

Mr. Lawson said EWEB had made grant opportunities available to the aforementioned persons and their projects. Still open is the matter of Bonneville Foundation grants, however they are not currently in the grant cycle at this time. He said that EWEB would continue to work with SVDP on a number of projects. Specifically, on the issue of manufactured homes and credit for a more efficient home, he clarified EWEB had applied an opportunity credit to SVDP, not for individuals.

President Carlson asked for clarification on Our Childrens’ Trust (OCT)

Mr. Lawson announced that he had met with Matt McRae from OCT a couple of weeks ago; Mr. McRae offered that OCT was in the midst of two lawsuits—one against Governor Brown and the State of Oregon, and one against the Federal Government—and had asked if EWEB could prepare an amicus brief/letter for the latter lawsuit.

Commissioner Helgeson mentioned the discussion with SVDP; he offered there existed a dated resolution and policy dealing with EWEB grants to help with System Development Charges (SDCs). He suggested staff take a look at said resolution and policy to see if it could be simplified and/or brought current.

Commissioner Helgeson mentioned that the EWEB Board had been invited to an upriver event focusing on the Leaburg Fish Hatchery. He said that he would be unable

to attend, but he was very interested in speaking to other Commissioners about the upriver event.

Board Wrap-Up

Mr. Lawson mentioned that the Mayor's Office had reached out to EWEB about the possibility of quarterly meetings with EWEB that would include: The Mayor, City Manager, Council President, and Council Vice President. He said the meetings would most likely begin in October of 2019.

Adjourn

President Carlson adjourned the Regular Session at 8:47 p.m.

Assistant Secretary

President