



The following questions have been posed by Commissioners prior to the scheduled Board Meeting on November 5, 2019. Staff responses are included below, and are sorted by Agenda topic.

2020 Proposed Budgets and Prices

Partial Requirements Service Pricing: Please refresh my memory as to why we created this rate class, which has zero customers, and why there were such large increases needed for a category that serves zero customers.

RESPONSE: *This pricing was developed to accommodate large self-generating customers who could potentially service their own load and bypass utility charges. A market price signal is used for the generated output which does not negatively impact other customer classes. Forward wholesale power market prices have increased over the last two years since this price was last updated in December 2017. Although there are no customers on the schedule, it is updated to provide transparency to customers who may be considering a large distributed generation project.*

Appendix C - Water Service Charges and Prices: What factors are contributing to price increases for River Road/Santa Clara's Water District and City of Veneta when regular EWEB ratepayers are not expecting any increases?

RESPONSE: *For EWEB customer classes, the ratemaking principle of gradualism is used. If cost of service analysis results indicate pricing changes of less than 5% to a customer class, often no price proposal will be recommended.*

The wholesale customer contracts include language that the pricing will be based on the cost of service analysis (COSA) and that pricing changes require Board approval. In an effort to ensure EWEB customer classes aren't impacted by the cost to serve wholesale customers, price updates are proposed more frequently. The proposed budget includes increases in operating expenses for all classes. With the recent Hayden Bridge improvements now in service, depreciation which is used in the Water Districts' COSA per contract also increased.

Electric Utility Budgeted Revenues: Please provide some examples of "Other Revenues?"

RESPONSE: *"Other Revenue" includes items such as: equity investment earnings from Western Generation Agency and Harvest Wind projects, telecom revenue, and rent for HQ and pole attachments. The 2020 decrease is a result of MGP cleanup reimbursement concluding in 2019.*

ELECTRIC UTILITY OPERATIONS & MAINTENANCE BUDGET AND REVENUE REQUIREMENTS:

What do we earn interest on and why do we anticipate a \$1.4 million reduction in those revenues from 2019? Was this due to paying PERS down and using reserve funds?

RESPONSE: *The 2019 budget was developed prior to interest rates declining substantially. The continued low interest rate outlook combined with the reduction in cash resulted in a proposed budget approximately \$1 million less than 2018 actual interest income.*

I see that to hold rates constant we would need to use \$3.1 in reserve funds, does this meet the established goal behind using the funds and why do you recommend using reserves vs. adding into prices? Are these costs one-time costs or general operating expenses increases?

RESPONSE: The \$3.1 million is a deposit to reserves. If 2020 operations result in increased working cash, Management will request the Board approve the highest and best use of that cash in 2021 after the 2020 annual audit has been completed.

I see no funding allocated for consolidation efforts in 2020, are we still on track to consolidate at the ROC? (PRICE)

RESPONSE: Major capital category remodel work will be completed by the end of this year. Minor expenses are expected next year as part of the Facilities O&M budget to cover issues as people settle into their new locations. The call center work will be finalized early in 2020 and will be the last of the planned consolidation moves. Any future moves related to the 4th floor infrastructure demolition or relocates, communications systems, and the atrium customer facing staff are still in the planning stages.

I see a \$1.8 million increase in Information Technology, and a new account for "Electric Infrastructure Generation" with \$2 million allocated, what are the drivers behind those increases?

RESPONSE: The 2020 proposed Electric Utility Capital and Debt Service Budget includes Information Technology projects for implementing a customer self-service solution and upgrading bill printing and bill payment processes, as well as upgrading systems to accommodate the smart meter installation project.

The \$2 million Type 2 Electric Infrastructure Generation is related to Leaburg canal improvements.

WATER CAPITAL AND DEBT SERVICE BUDGET:

The pie chart on the 64th page of the Board Run Packet lists Debt Service Coverage at \$4,987,000, but then in the budget on page 69 of the Board Packet lists it as \$1,987,000. Am I comparing two different figures or does one of those have a typo? Or is the difference because the "SDC Reimbursement Funded Debt Service" of \$3 million is not listed on the Operations and Maintenance Budget, if so, why isn't it classified as O&M?

RESPONSE: For both utilities, the O&M budget pages also include items that impact customer prices and are part of the revenue requirement used in developing the cost of service analysis. The Water Utility's total debt service is \$4,987,000 - \$1,987,000 funded by rates which is part of the revenue requirements, and \$3 million by using SDC reimbursement reserves. Using reserves does not impact revenue requirements.

There appears to be a forecast that Retail Water Revenues are going to increase from about \$9.2 million to \$15 million, why do staff believe that is a reasonable assumption? What are the drivers there?

RESPONSE: The capital budgets include information on how capital work is funded which is denoted in the section 'Sources of Funds'. The \$15 million retail revenue indicates how much of the proposed capital work is funded by rates. The increase from 2019 is a result of additional capital work and bond funds being depleted in 2019.

What is the newly created "Meter Reserve" account and how do we get revenue to fill it?

RESPONSE: In 2019 the Board approved transferring \$2.5 million above target to the Capital Improvement Reserve (CIP) to support 2019 and 2020 smart meter installations. The proposed capital budget includes using \$1.25 million of the reserves above target.

Department Operations & Maintenance Budget - 2020: I see an increase of 16 FTE in "Shared Services", please share more about that classification and why that group is increasing so dramatically in 2020? Given that overall change is only 2, I'm guessing this could be a reclassification?

RESPONSE: The increase in "Shared Services" is primarily due to reclassification of FTE from the Electric Division to Shared Services.

Customer Service Operations and Maintenance Budget: I see benefits and wages for 79 people is \$8.6 million, which on average is \$108,000. I would expect that group to have more entry level and moderate wage earners, could you please help me understand that high of an average? I'm guessing health care/PERS is a decent amount of that, but thought I would review closer. For context the Electric Operations and Maintenance Budget for wages and benefits is \$13.8 million with 111 staff which is \$124,000 on average, but that seems more reasonable since you have skilled line workers requiring years of professional training which I believe are making over \$100K in base salary alone. I also note that the total wages and benefits are \$72.7 million for 506 employees which is an average over the entire utility of \$143,600/ employee. Please correct my math if I am not looking at the right numbers.

RESPONSE: *The Customer Service Division includes advanced meter services and customer solutions which represent 40% of the division FTE. As indicated in the footnote for each division, FTE does not necessarily align with budgeted dollars due to some staff costs assigned to capital. Typically, the Customer Service Division has very little capital staff costs unlike many of the operational divisions.*

What is the difference between the Electric (Page 74) and Energy (Page 75) budgets (not in terms of dollars, but unit functions)? What types of actions fall in each division?

RESPONSE: *The Electric division is responsible for the design, engineering, and operations and maintenance of the Electric infrastructure (transmission and distribution). The Energy division is responsible for power and generation and includes the trading floor, power planning, and the design, engineering, and operations and maintenance of the Generation infrastructure.*

Energy Burden on Households: It seems as if we are looking just at EWEB bills and comparing them against monthly income. Do we also look at a household's gas bill and gasoline bill? If a household follows our recommendations on smart electrification and purchases an EV or switches from a gas furnace to an electric heat pump, their EWEB bills would go up and it would look like they were spending more of their monthly income on utilities (unless we have some way of factoring in the decrease in gasoline spending and natural gas). Are we capturing this in our projections?

RESPONSE: *The Median Household Income (MHI) measurement is meant to be an indicator of the average utility burden on families in EWEB's service territory and is monitored for trends. This provides a comparison for EWEB amongst other northwest communities and helps management gauge over time the burden that the EWEB bill represents to the average family. Since it uses a set consumption level (typical electrical household), it does not take into consideration individual situations such as gas heat or the use of an electric vehicle. Individual households will have their own unique utility burden based on their specific usage as well as their family income.*

Quarterly Strategic & Operational Report for Q3 2019

Can we get more details on the new Generator Loan program? I'm curious how many customers have taken advantage of this program?

RESPONSE: *The Backup Generator Loan Program was launched in late April. To date, 59 customers have signed-up for the program with 8 projects completed and 41 active projects. Customer interest remains high, with 6 new applicants in September and 11 in October.*

We've talked in the past about having Demand Response contracts with customers in times of increased demand, do we have any customers with those contracts and did we reach out to them when prices spiked in the region contributing to the revenue shortfall?

RESPONSE: *No customers are currently on demand response contracts. The Business Growth and Retention Rate requires demand response capability and will likely result in some customers that EWEB can partner with in the future. Demand Response will require both technology (e.g. smart metering) and pricing model changes that can reward customers for shifting or curtailing load when requested. This capability is part of the second and third phase(s); "Create Consumption Flexibility" and "Resilient Delivery".*

Design Queue Rate Time and Time to complete design: I see that EWEBs time to wait and complete designs for new builds increased from 1 week to 4 weeks in 2019. What is being done in the 2020 budget to reduce that metric? In the housing crunch we have been under, we don't want to be a major delay or bottle neck. The housing crisis is one of the top issues facing this community and constantly discussed at community meetings and events.

RESPONSE: *While the service requests are higher this year, slower turnaround times are also driven by a labor shortage in this workgroup (down three techs). We are actively recruiting, and have hired a consulting firm who is currently getting access and being trained to start design work. In addition, we are deferring EWEB projects to help keep design techs focused on our customer work.*

Outages: I appreciate that "Engineering is working on break downs for "Equipment" category to help target our replacement efforts." I am interested in seeing that breakdown when complete.

RESPONSE: *The new codes to track the different equipment types were implemented about a year ago. We plan on sharing when we compile enough information to start seeing trends, hopefully as early as the 2020 Q1 report.*

Tree Trimming: What does PCOP stand for?

RESPONSE: *Potential Customer Outages Prevented. It is an estimate of how many customers were connected to the circuits that the vegetation was managed. This is strictly a EWEB internal number and there are not any related benchmarks.*

Customer Survey: Did we provide the survey in Spanish too? With 10% of the population being Hispanic, I wonder if providing in Spanish may have helped capture more responses. Obviously, many Hispanic residents speak English as a primary or secondary, but it may have been a way to be more inclusive. Do we have any data on how many customers may have had a language barrier to responding?

RESPONSE: *Staff explored the feasibility of conducting this year's survey in Spanish and found that the time to develop and conduct one was extensive. Data has not been collected on how many customers were unable to participate due to language barriers, and staff has requested that information as part of this year's survey results. We may incorporate this enhancement in future surveys.*