



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Carlson, Mital, Helgeson, Schlossberg, and Brown  
FROM: Deborah Hart, Interim Chief Financial Officer; Aaron Balmer, General Accounting & Treasury Supervisor  
DATE: December 27, 2019  
SUBJECT: 2019 Year-end Audit Planning  
OBJECTIVE: Information Only

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## **Issue**

EWEB is required to have annual financial audits, audits related to the receipt of federal funds, and audits of the EWEB Retirement Benefits Trust. The Board has contracted with Moss Adams to perform these services.

## **Discussion**

In October, Moss Adams performed onsite interim audit procedures as part of the annual financial audit. This preliminary audit work provides Moss Adams with an understanding of EWEB and its business environment. Interim audit procedures included testing internal controls on both manual and system processes. Areas tested included, but were not limited to, revenues, disbursements, payroll, plant assets, and financial reporting. The interim audit work helps determine the amount of final audit work required when the auditors return in February 2020.

During final fieldwork, the auditors will review supporting documentation such as bank statements and invoices, request independent verification of account balances, and receive representations from attorneys and Management. The auditors will also analyze transactions for trends versus expectations based on their knowledge of EWEB and the utility industry. Audit plans also include other tests and inquiries to address fraud risk. At the conclusion of the audit, Moss Adams will communicate in a management letter any significant matters they become aware of through the course of their inquiry and procedures. They also will issue an opinion stating whether or not the Board's financial statements are presented fairly in accordance with generally accepted accounting principles.

The audited financial statements and management letter will be presented to the Board at the April 2020 meeting.

## **Recommendation and Requested Board Action**

This item and is information only.

Attachment – Correspondence letter from Moss Adams

November 27, 2019

Board of Commissioners  
Eugene Water & Electric Board  
500 East Fourth Avenue  
Eugene, OR 97401

Re: Audit Communications

As you may know, we are commencing our audit of the financial statements of Eugene Water & Electric Board ("EWEB"), as of and for the year ending December 31, 2019. In accordance with AU-C 260, *The Auditor's Communication with Those Charged with Governance*, communication between the auditor and the individuals charged with governance of EWEB is required. In the context of EWEB and its governance, we consider the Board of Commissioners to be charged with governance. Accordingly, we would like to open a two-way communication with you on matters regarding the audit of the financial statements of the EWEB.

We will provide certain communications in writing as part of the audit and invite you to contact us with any questions about the matters communicated or with any input you have on the audit. In the ordinary course of an audit many matters are discussed with management, including matters that are to be communicated to those charged with governance. There may be times that we will need to have access to you to discuss sensitive matters that could arise during the course of the audit. If any of those circumstances arise, we will contact you directly.

At the conclusion of the audit, we will provide you information on the results of the audit and various other matters that are stipulated in auditing standards as matters that must be communicated to the governing body annually.

Beginning in September 2019, we participated in meetings with management regarding data that will be needed for the audit and coordination of resources to provide that data. We performed preliminary planning of the audit and initial assessments of internal controls in October 2019 and expect to begin final testing of EWEB's financial statement balances in February 2020. We plan to issue our audit report for EWEB no later than March 2020. Our ability to meet this timetable is dependent upon on the level of preparation and cooperation by the management of EWEB.

Based on our current understanding of EWEB and financial results to date, the following are the areas considered significant to the audit as of, and for the year ended December 31, 2019, and will be our focus related to audit procedures performed:

- Internal controls over financial reporting
- Plant assets
- Power trading and derivatives
- Pension and OPEB accounting
- Single audit
- Assessment of new accounting standards:
  - GASB 83 *Certain Asset Retirement Obligations*
  - GASB 84 *Fiduciary Activities*

Our overall audit plan includes the performance of both analytical procedures and detailed testing of transactions, and consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EWEB's internal control over financial reporting. Our audit plan is subject to adjustment based on any significant changes to year-end financial results, significant changes in operations or the identification of any additional risks.

If there are other areas of concern please contact me to discuss those concerns so we can ensure our audit plan properly addresses them.

We appreciate the opportunity to be of service to you. We look forward to meeting with you at the conclusion of our audit to deliver the results of our audit to you. Please contact me if you have any questions or input to the audit process.

Very truly yours,



Julie Desimone, Partner  
for Moss Adams LLP



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Carlson, Mital, Helgeson, Schlossberg and Brown  
FROM: Rod Price, Chief Operating Officer; Karl Morgenstern, Water Quality Supervisor  
DATE: January 20, 2020  
SUBJECT: International Paper Spill Debrief Follow-up  
OBJECTIVE: Information Only

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## Issue

Following an oil spill event into the McKenzie River from the Springfield International Paper (IP) plant in March 2018, EWEB and IP staff held a debrief meeting at Hayden Bridge on Wednesday, January 9th, 2019. This is a memo to review the status of the action items agreed on by both parties at that meeting to protect EWEB's drinking water source.

## Background

On March 12, 2018 at 9:00 pm, IP experienced an equipment failure during startup of the No. 2 paper machine resulting in approximately 1,000 gallons of hydraulic oil being released from the system. According to the spill report filed with the Oregon Department of Environmental Quality (Oregon DEQ), IP estimated that approximately 660 gallons of oil bypassed their treatment system and entered the effluent discharge pipe (001). The remaining 340 gallons of oil went to their effluent treatment system. Of the 660 gallons of oil that reached the effluent discharge pipe, IP estimated that 95 gallons of oil entered the McKenzie River at the 001 outfall, which is located downstream of EWEB's intake. On 3/13/18 at 11:20 am, IP inspected the 001 outfall and reported no visible sheen on the river.

At around 1:00 pm on 3/13/18 a fisherman notified Oregon Department of Fish & Wildlife (ODF&W) of a large sheen on the lower McKenzie River. At 5:00 pm the Lane County Sheriff's Office (LCSO) received a call of a large oil sheen on the river in the Harvest Landing area. LCSO reported the spill to the Oregon Emergency Response System (OERS 2018-0580), which notified EWEB (Karl Morgenstern and David Donahue) of the spill at 6:06 pm. EWEB activated the McKenzie Watershed Emergency Response System (MWERS) notifying Hayden Bridge and others of the spill. IP notified the National Response Center (NRC) of the oil release at 7:08 pm resulting in a second OERS notification at 7:26 pm (OERS 2018-0581). EWEB, City of Springfield, LCSO, and the Region II Hazmat team on scene decided not to try and deploy a solid containment boom in the dark due to high flows, safety concerns, and the fact that the majority of the oil was miles downstream and decided to wait until the morning. IP's 001 discharge pipe was shut off to prevent further releases.

On March 14, 2018, Oregon DEQ requested MWERS partners (EWEB, LCSO and Region II Hazmat Team) deploy solid containment and absorbent boom downstream and along south bank of

the 001 outfall. This boom remained in place until 3/16/18 when the IP contractor (Clean Harbors) arrived on scene and removed the MWERS boom and replaced it with their solid containment boom farther downstream.

From 3/17/18 to 3/29/18, DEQ worked with IP to clean oil out the of the 001 discharge pipe and test increasing flows through the pipe until the discharge water no longer had oil sheens associated with it. During this time, on 3/21/18, a large rain event hit the area, overwhelming IP's stormwater system (due to 001 pipe being shut off), forcing them to discharge stormwater to Keizer Slough upstream of EWEB's intake. As a result, EWEB Hayden Bridge staff began feeding activated carbon as part of treatment and increased the chlorine dose to mitigate potential threats from the redirected stormwater.

At 4:00 pm on March 29, 2018 IP ran 8,000 gallons per minute (gpm) through the 001 discharge pipe without visible impacts to the river and DEQ gave IP clearance to resume full operations.

### **Discussion**

As a result of the spill, IP was fined \$20,000 by the DEQ with the agreement that this money could be re-directed toward mitigation project work, including wetland repair at the 48<sup>th</sup> street storm water channel discharge into Keizer Slough. Staff will discuss the status of this project as part of the upcoming Drinking Water Source Protection program update (March 3, 2020). Additionally, as previously mentioned, EWEB was able to meet with IP this last January to debrief on the spill and talk through actions that would prevent this from happening again. The following is a summary of those agreed to actions and an update on their status.

*Action Item 1:* EWEB staff requested IP staff contact Hayden Bridge anytime a spill or release reportedly reaches the river, regardless of who the responsible parties are. IP staff agreed this type of notification is reasonable.

*Status:* Approved. No reports of releases to date.

*Action Item 2:* EWEB staff will provide IP staff a demonstration of the Oregon Watershed Emergency Response system (OWERS) and if IP staff decide it would be a good tool to have access to, EWEB can follow-up to get them setup. OWERS would allow IP to send out quick notifications via text to EWEB and others if either IP or someone else has a release so that interested parties can track spill response efforts.

*Status:* Completed. In April 2019, EWEB staff provided OWERS training to Brian Brazil at IP. Brian now has access to OWERS for spill notifications and tracking.

*Action Item 3:* EWEB staff requested IP notify EWEB whenever stormwater is diverted from the wastewater treatment system to stormwater outfalls. IP said they would look into the request and get back to EWEB.

*Status:* Approved. As per email from Brian Brazil on 8/23/2019 "We've updated our internal Reliable Method on Diversion of the outfall to the Slough to include notifying you if it occurs."

*Action Item 4:* EWEB staff requested either direct access to IP's cooling ponds for HAB sampling or that IP staff collect algae samples and provide those to EWEB staff for analysis. IP staff said they would coordinate pond sampling efforts.

*Status:* Completed. Brian Brazil provided EWEB staff access to the cooling ponds on August 27th, 2019, for a round of HAB monitoring. Samples collected from the cooling ponds had cyanobacteria

levels ranging from 32,661 to 34,550 cells/ml, but no cyanotoxins were detected. EWEB staff would appreciate additional opportunities to conduct HAB monitoring during the 2020 bloom season, usually between April and October, or anytime significant bloom conditions are observed by IP staff. EWEB staff will provide IP staff with HAB monitoring results.

*Action Item 5:* EWEB staff asked IP staff if there was any interest in sharing expenses for a water quality monitoring station in Keizer Slough. The station would help identify spills/releases/blooms before such events reached EWEB's intake. IP directed EWEB to send in a funding proposal for proposed Early Warning Water Quality Monitoring Station – Keizer Slough, preferably in July for the proposed monitoring station. EWEB staff provided IP a proposal in July 2019.

*Status:* Pending. EWEB provided equipment quotes from YSI for the proposed water quality monitoring station. The total estimated cost is approximately \$24,000 for all necessary water quality equipment, solar panel, data logger, telemetry and secure structure. The water quality monitoring station would be located in the vicinity of the lower Keizer Slough bridge. Real-time data would be accessible to both EWEB and IP staff. EWEB is requesting that IP fund the initial equipment purchase and EWEB would cover the installation and ongoing maintenance costs. IP has not responded to this request to date.

#### **TBL Assessment**

NA at this time

#### **Requested Board Action**

None at this time, information only

If you have any questions or wish to discuss please contact Rod Price, Chief Operations Officer at 541-685-7122 or email [rod.price@eweb.org](mailto:rod.price@eweb.org).