The following questions have been posed by Commissioners prior to the scheduled Board Meeting on May 5, 2020. Staff responses are included below, and are sorted by Agenda topic.

Quarterly Strategic & Operational Report for Q1 2020

Capital Investments & Projects/Roosevelt Operations Center (ROC) Consolidation (PRICE) - ROC Moving Costs were double the initial estimate, given that cost how many years before we reach break-even on this project?

RESPONSE: *The $2.5 million estimate does not include the full cost of a complete consolidation, however the captured costs-to-date does include all capital cost categories. Original estimates from 2017 were around $5.3 Million for the remodel of ROC to cover moving all of HQ staff (and Dispatch) as presented in the report, not including new parking lot. After reviewing options in 2018, Board direction was to leave call center and lobby in HQ which resulted in the original $2.5M estimate for construction only. This past year, part way through the construction and execution of the 2018 scope, the decision was refined to move all staff from HQ. This scope change impacted the schedule and caused changes to construction resources, materials and HVAC upgrades. As far as ROI, several options were reviewed in 2017 with the most favorable 10-Year NPV coming from the complete consolidation which included costs of approximately $7.7 million (including Dispatch and Data Center). Following consolidation, payback will depend mostly on the future disposition of the HQ building and property. By consolidating all employees in one location, we expect to have operational savings of several hundred thousand per year.*

I notice all but two projects listed in the quarterly report went over budget. Is this a factor of underestimating? Not controlling costs? Not estimating for unforeseen issues to arise? (PRICE)

RESPONSE: *Although many of the projects also show a projected completion under budget, two main factors can contribute to the presentation of higher actual costs. One is the long planning process and when the initial scope/budget has been made is generally many years prior on the execution of bigger projects. The report presents the cost based on the original scope. As the project progresses in planning and design, or even during construction, we have experienced scope changes, which adds complexity and cost. The second reason is material and labor costs have risen faster than expected over the last couple years. We implemented a monthly capital budget/project group several years ago and have been managing overall capital budgets to around 100% YE. We are also making progress on individual project planning and coordination which should start improving large project metrics. We will continue to evaluate the reporting process to improve the accuracy of scope, schedule, and budget.*

Customer Programs & Services Report (MCGAUGHEY) - A mail in option for seniors and disabled citizens has been referenced a couple of times in the report. What does that service provide exactly? Why is it limited to only those groups?

RESPONSE: *By applying and submitting eligibility documentation online, customer applications can be time-stamped (first come, first serve), reviewed, and approved in-house within 2-3 business days. For comparison, other agencies are currently backed up 3-5 weeks for in-person income verification. However, based on feedback to the Board and staff, senior and disabled persons are generally less likely to have the resources or ability to navigate the online application. To improve accessibility, customers that can demonstrate proof of limited-income senior, or disabled status, can avoid the first of the month competitive process by applying through the mail. The senior and disabled mail-in application is EWEB's effort to meet customers where they are, while maintaining a handle on the volume of monthly allocations.*

Customer Experience (PRICE) - Why do you think project inquiries doubled in the covered time period? Was that because there was more construction going on or was something else at play?

RESPONSE: *Pre-Pandemic, elevated inquiries was likely driven by a robust economy, low interest rates, and construction related to upcoming community events (e.g. world games) along with increased housing needs in Eugene requiring higher density. We have seen a drop in customer construction activity due to the Governor's Shelter in Place (SIP) order.*

Advanced Metering (PRICE) - Please remind me about the bandwidth issues regarding smart meters? Is the issue that we had wrong assumptions from the beginning or did new needs emerge during the process?

RESPONSE: *There are two factors critical to picking up signals from the smart meters, including signal strength and data throughput per radio tower. The original meter radio system was designed for an Opt-In approach, with a design scope of approximately 30,000 meters, in contrast to our present Opt-Out target of 150,000 meters. While we need to optimize our tower locations for signal strength, EWEB primarily needs to increase our data throughput/capacity.*

Workforce Report/Compensation (KOSTOPULOS) - The Q1 report it states the average total performance award was 2.24%. In the GM Performance report it indicates that the average merit award was 2.4%. Can someone please explain the difference?

RESPONSE: *The 2.4% reflects only merit adjustments which were added to base MAPT salaries. The correct figure for the Board's consideration is 2.24%, which is the combined average of both merit adjustments to base and those that were awarded as one-time payments. The memorandum accompanying the General Manager's performance evaluation has been amended.*

<u>Covid-19 Customer Assistance Update</u> (MCGAUGHEY) – EWEB Customer Care (ECC) benefits - I don't know all the details about the federal supplements, but I believe they expire in July. Is it possible that more people will apply for bill assistance in the second half of the year, both due to continued job losses along with diminished unemployment benefits? If so, how do we know that the amount allotted in the latter half of the year is sufficient? It looks like we are decreasing the budget from Oct-Dec.

RESPONSE: *In order to expand benefits in the current quarter, we shifted $150k in planned allocations from Q4. The federally funded LIHEAP program begins in October each year. It is expected that congress will continue to fund this benefit in the coming year, and recently added funds for distribution through the LIHEAP process by means of the CARES Act. And while neither the state nor individual utilities have certainty of federal funding levels, we are certain that current customer need is warranted, and that we respond with the resources that are available.*

<u>Consent Calendar</u>

CONTRACTS

<u>Altec Industries – for the use of a cooperative contract for the purchase of a bucket truck</u> (PRICE) - How old is the truck being replaced and what is its mileage?

RESPONSE: *This truck is currently just over 14 years old, with 149,427 miles and 12,978 hours.*

<u>Bay Valve Engineering Services – for annual pump and motor rebuild and repair for Hayden Bridge</u> (PRICE) - I notice that there was an option that was local and lower priced. What set Bay Valve Engineering Services above the other justifying an extra $35,000? Have we worked with any of these companies in the past? If so, how did it go? Were there major cost overruns? Was the work completed in a timely manner? I see that $65,000 was planned in the budget, so this would be about $300k over that budget, why is this so much higher than what was originally anticipated?

RESPONSE: *The deciding factors for awarding the pump contract were experience of staff and the company with a high degree of scrutiny placed on the experience working on 600 HP pumps or larger. Bay Valve scored higher in these categories. We have used Bay Valve in the past and they have come in on budget and on time. The contract total is to be divided over 5 years. The original budget of $65K is an estimate for the 2020 single year budget based on work that had been done in 2014. Actual yearly budget will be $75K based on the Bay Valve bid.*

<u>Portland General Electric (PGE) – authorize the General Manager to approve a contract for transmission equipment services at the Stone Creek project</u> (PRICE) – I am confused by these statements "PGE has indicated to EWEB that due to a change in corporate business strategy, PGE will no longer provide O&M services for the Stone Creek power plant." "Management requests that the Board authorize the General Manager to approve a ten-year services contract with Portland General Electric (PGE) for the operation and maintenance of the Stone Creek Hydroelectric Project 115 kV transmission line and associated stations equipment." Does this mean that we talked them into providing the services, but at a premium? I also see a later contract request for O&M services... It sounds as though they indicated that they no longer wanted to service O&M, but we are voting on a contract to do just that and another contact as well. Please clarify. It appears operating costs are going from $350K per year to $2M or roughly a fifth of the Generation Department's overall budget. That seems like a huge difference to absorb. How much revenue does Stone Creek generate annually?"

RESPONSE: *PGE's decision to discontinue O&M service only applies to the generation plant, not the transmission line. Included in the Board materials are requests for two separate agreements for two different contractors. The first agreement is for a five-year Intergovernmental Agreement (IGA) with Energy Northwest to operate the hydroelectric plant and the transmission line from the plant to EWEB's Harriet Lake Substation. The second agreement is a 10-year contract with Portland General Electric (PGE) to operate the transmission line that ties the Harriet Substation into PGE's Oak Grove Substation. Historically PGE provided all plant O&M and transmission line services, but in late 2019, they notified EWEB that they were no longer willing to operate the Stone Creek Plant due to changes in their Westside Hydro operations. EWEB looked at self-performing the transmission line services, but it was more expensive compared to PGE because of distances and as well as a lack of familiarity of the system. Under the new operating arrangements, we expect the overall cost of operating Stone Creek to increase by up to 20% compared to the previous arrangement where PGE could operate the plant with shared Westside Hydro staff. The $5M request reflects a 10-year agreement with PGE and a 5-year agreement for Energy Northwest. We are still collecting the annual revenue for Stone Creek which is projected to be about $2 Million per year.*

<u>The Saunders Company – for south Willamette River 42-inch transmission main and transmission bore</u> (PRICE) - Is EWEB paying for the new railroad crossing? Are we splitting that price with the railroad company that owns them?

RESPONSE: *The railroad crossings are permitted underground pipeline crossings that EWEB owns. There is no railroad ownership or benefit, so EWEB will pay all costs.*

<u>Whitlock Consulting Group – for consulting services for the Customer Experience Improvement (CEI) project Phase 2 implementation support</u> (PRICE/HART) - It appears that a lot of the cost is due to COVID 19 so can those amounts be recoverable from the Feds as I know of other entities who are getting reimbursed for dealing with COVID related issues.

RESPONSE: *The majority of the increase comes from shifting the contracted manager from 0.5 FTE to 1.0 FTE, and to assist with internal business processes. Approximately $36,000 is COVID related from inefficiencies of staff testing at home, the shift in EWEB resources to prepare for our COVID response, and restrictions on travel.*

Staff is continuing to monitor pending legislation and industry guidance for potential reimbursement opportunities. Currently reimbursement for EWEB is uncertain though as our electric and water systems have not *been directly strained or damaged as a result of the outbreak. We have implemented record keeping processes to track costs in order to be ready should a reimbursement avenue be identified.*

Did the company give us any sort of discounts on having to extend during COVID-19, or are the extension costs the full rates we were paying before? Did we ask for some consideration? (MCGAUGHEY)

RESPONSE: *The majority of the increase comes from shifting the contracted manager from 0.5 FTE to 1.0 FTE, and to assist with internal business processes. Approximately $36,000 is COVID related from inefficiencies of staff testing at home, the shift in EWEB resources to prepare for our COVID response, and restrictions on travel.*

The extended contract with WCG was negotiated for several weeks, mostly prior to the pandemic, and included clarifications of scope and pricing. There were no negotiations around price related to COVID-19. WCG has been conducting most of the work offsite and our three CEI vendors (self-service, bill creation/presentment, payment processing) are primarily remote, so the impact was mostly at EWEB. We have continued to move forward with the project as EWEB transitioned to telework, including fewer testers.

INTERGOVERNMENTAL AGREEMENTS

Energy Northwest – for operation and maintenance of the Stone Creek hydroelectric project (PRICE) - How will the annual cost of the new contract with Energy Northwest compare with what we had previously been paying PGE?

RESPONSE: *The total cost for operating the Stone Creek Plant is expected to go up for two reasons. First, we previously had a favorable long-term, at cost agreement with PGE which shared costs with their other projects. Rather than dedicate staff to EWEB's Stone Creek facilities, PGE was able to use staff serving all of their West Side Hydro facilities on as as-needed basis. We will now have a cost plus agreement (IGA) with Energy Northwest (ENW) that will be implemented by dedicated staff. Since they are hiring dedicated staff to take on this work and will need to cover both staff time and equipment, the costs to EWEB will be higher. We expect operational costs to be roughly 20% higher, especially during an initial transitional period. Second, where we previously had one contract for the project we will now have two; one with PGE for O&M of the 115 kv transmission line and one with ENW for O&M of the generation plant. The $5M request reflects a 10-year agreement with PGE and a 5-year agreement for Energy Northwest. We are still collecting the annual revenue for Stone Creek which is projected to be about $2 Million per year.*

RESOLUTIONS

Resolution No. 2017, Annual Price Adjustment for Joint Use Fees (PRICE) - If a company is attached to our poles and we abandon that pole and they refuse to move services, what obligation if any do we have to maintain that pole?

RESPONSE: *If we have no facilities/equipment on a pole, our obligation is eventually eliminated. EWEB maintains good working relationships with our joint users. The process sometimes takes a while to make transfers, but is tracked in a shared system and all parties have been responsive to changes. EWEB maintains ownership of the poles until we remove all of our facilities and receive a signed bill of sale. After that, maintenance will be the responsibility of the new owner and EWEB will no longer collect rent from permittees. In the last ten years we have only had one problem with ownership transfer.*

Roughly how many pole attachments by others are there? How much annual revenue does EWEB receive for pole attachments? Are the proposed fees sufficient to cover all related direct and indirect costs (e.g. tree trimming, storm response, recordkeeping, etc.) incurred by EWEB? Does the formula for calculating these fees include a return on a portion of EWEB's pole plant investment used to support these pole attachments from which others derive substantial profits?

RESPONSE: *EWEB has around 19,700 attachments that generate approximately $290,000 yearly. This figure does not include rents for approximately 6000 CenturyLink attachments due to the existing Joint Use Parity – EWEB doesn't pay them for us to attach to their pole and they don't pay us as long as we are attaching to each other's poles nearly equally. The Pole Attachment Rate is an Oregon Administrative Rule (also referred to as OPUC) formula which covers a wide array of costing to ensure that utilities are fairly compensated for the 12" of space occupied by an attachment. Net investment in bare poles, usable space on the pole as well as the cost incurred by the owner in owning and maintaining poles or conduits (Carrying Charges) are all components that go into calculating the per foot pole attachment rate. Inside of the Carrying Charges are multiple elements, of which the maintenance element is where we recover costs for tree trimming and storm response. Recordkeeping is covered under the administrative and general element. EWEB charges additional fees for items such as pole applications, inspections and make-ready work, to ensure that EWEB's customer/owners are not subsidizing costs associated to joint users.*

CORRESPONDENCE

<u>Walterville Canal Flow Restrictions for 2020</u> (PRICE) - What is the estimated loss in generation and revenue/replacement power associated with the anticipated modification to operations for 2020?

RESPONSE: *The low flow mode required by the Record of Decision will likely result in lost generation on the order of $10,000, well below the maximum anticipated by the Record of Decision (January 2018). Slightly larger lost revenue could be experienced if a late spring increase in snowpack develops. As such, even under normal operations we would be limited in power production in late summer due to the license required minimum instream flow of 1,040 cfs (License compliance is 1,000 cfs, but EWEB leaves a little more in the river to make sure we don't dip below 1,000 cfs if flows change quickly). Based on previous years, we will probably be at minimum instream flow levels by mid- to late-July.*